



MINALOC



RWANDA FISCAL DECENTRALIZATION PROJECT

FINANCIAL MANAGEMENT MANUAL FOR LOCAL GOVERNMENTS IN RWANDA

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The USAID/ARD Fiscal Decentralization Project is helping the Government of Rwanda to devolve services to local governments. It provides policy and technical assistance to insure that local governments can raise adequate resources, manage and account for their revenues, and efficiently provide local services that respond to the needs of the community.

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TABLE OF CONTENTS

1.0	Introduction	1
2.0	Themes and Implications	1
2.1	Underlying Objectives.....	1
2.2	Themes.....	2
3.0	Financial Management System Overview.....	3
3.1	Core Components.....	3
3.2	Ancillary Components.....	3
4.0	Legal Framework.....	4
5.0	Roles and Responsibilities	5
5.1	Department Heads.....	6
5.2	Executive Secretary.....	6
5.3	Accountant.....	6
5.4	Treasurer	7
5.5	Tax Assessor	8
5.6	Tax Collector.....	8
5.7	Budget Management Team	8
5.8	Mayor and Executive Committee.....	8
5.9	District Council.....	9
5.10	Audit Committee.....	9
5.11	Internal Auditor.....	10
5.12	External Auditor and Office of Auditor General.....	10
5.13	Prefecture of Intara	10
5.14	MINALOC.....	11
5.15	MINECOFIN	11
5.16	District/Town Development Committee.....	11
5.17	Procurement Committee	11
5.18	District/Urban Service Committee.....	11
6.0	Financial Management Components.....	12
6.1	Budgeting.....	12
6.1.1	Determination of Priorities	12
6.1.2	Revenue Estimates	12
6.1.3	Submission of Budget Preparation Materials	12
6.1.4	Budget Formulation	12
6.1.5	Budget Approval and Appropriation	13

6.1.6	"No Objection" from Prefecture	13
6.1.7	Budget Monitoring and Control.....	14
6.1.8	Budget Revisions	14
6.1.9	Evaluation.....	14
6.2	Accounting.....	14
6.2.1	Major Qualities.....	14
6.2.2	Reports	15
6.2.3	Accounting Concepts	15
6.2.4	Tools and Procedures	19
6.3	Treasury and Debt Management.....	20
6.3.1	Cash Management	20
6.3.2	Banking.....	23
6.3.3	Fixed Deposits.....	24
6.3.4	Investments	24
6.3.5	Debt Management.....	24
6.3.6	Inventory (Stores and Stocks) and Fixed Asset Management.....	25
6.4	Internal Controls	26
6.4.1	Definition.....	26
6.4.2	Contrast with Internal and External Audit Functions	26
6.4.3	Benefits vs. Costs of Controls	26
6.4.4	Informal vs. Formal Controls	26
6.4.5	Internal Control Model.....	26
6.4.6	Preventive vs. Detective Controls	27
6.4.7	Approvals and Proper Segregation of Functions	27
6.4.8	Processes, Risks, and Mitigating Controls.....	28
6.5	Auditing.....	30
6.5.1	Internal Auditing.....	30
6.5.2	External Auditing	31
6.5.3	Compliance.....	32
6.5.4	Model Unqualified Opinion Letter	32
6.5.5	Model - No Reportable Conditions Identified	32
6.5.6	Audit Process	33
6.6	Procurement	34
6.6.1	Requisition Initiation	34
6.6.2	Approval of Requisition	35
6.6.3	Application of Thresholds	35
6.6.4	Invitations to Bid and Requests for Proposals/Request for Quotations	35



6.6.5	Evaluation of Bids/Proposals.....	36
6.6.6	Contract Award and Management.....	37
6.7	Revenue Management	38
6.8	Human Resource Management.....	38
6.8.1	Human Resource Strategy and Structure	38
6.8.2	Compensation Policy and Administration.....	39
6.8.3	Personnel Action Forms	39
6.8.4	Personnel File/Staff List Maintenance.....	39
6.8.5	Skills Inventory	40
6.8.6	Staff Assignment	40
Annex 1. Sample Financial Reports		41
Annex 2. Chart of Accounts		58

1.0 Introduction

The emergence of autonomous local governments creates a critical and urgent need for sound financial management. Indeed, management of financial resources is essential to the operation and success of local government. Without proper financial management, local governments cannot meet the most basic goals established for the benefit of their communities and cannot provide any degree of transparency or accountability to its stakeholders regarding funds that have been entrusted to them; this leads to funds drying-up of, stagnation, and eventual irrelevance of the government entity.

The objective of this manual is to serve as a basic guide on the goals, policies, and practices of financial management in Rwandan local governments. The present manual will evolve over the course of the next year, as elements of each financial module are defined in greater detail¹.

2.0 Themes and Implications

2.1 Underlying Objectives

Effectiveness and Efficiency

First and foremost, the financial management system must support the accomplishment of local government objectives and supporting activities. If the financial management system is chaotic, inadequate, or too cumbersome, it will almost certainly impede the operations of the local government.

Transparency and Accountability

Great emphasis is placed on ensuring that information on financial activity is transparent to the public and other stakeholders. The system must ensure that there is clear accountability for financial activities and guide management behavior accordingly.

Community Involvement

The proposed financial management system seeks to promote the involvement of the local community in key decisions affecting financial decisions by the government. This also helps ensure that priorities are properly balanced.

Financial Performance and Control

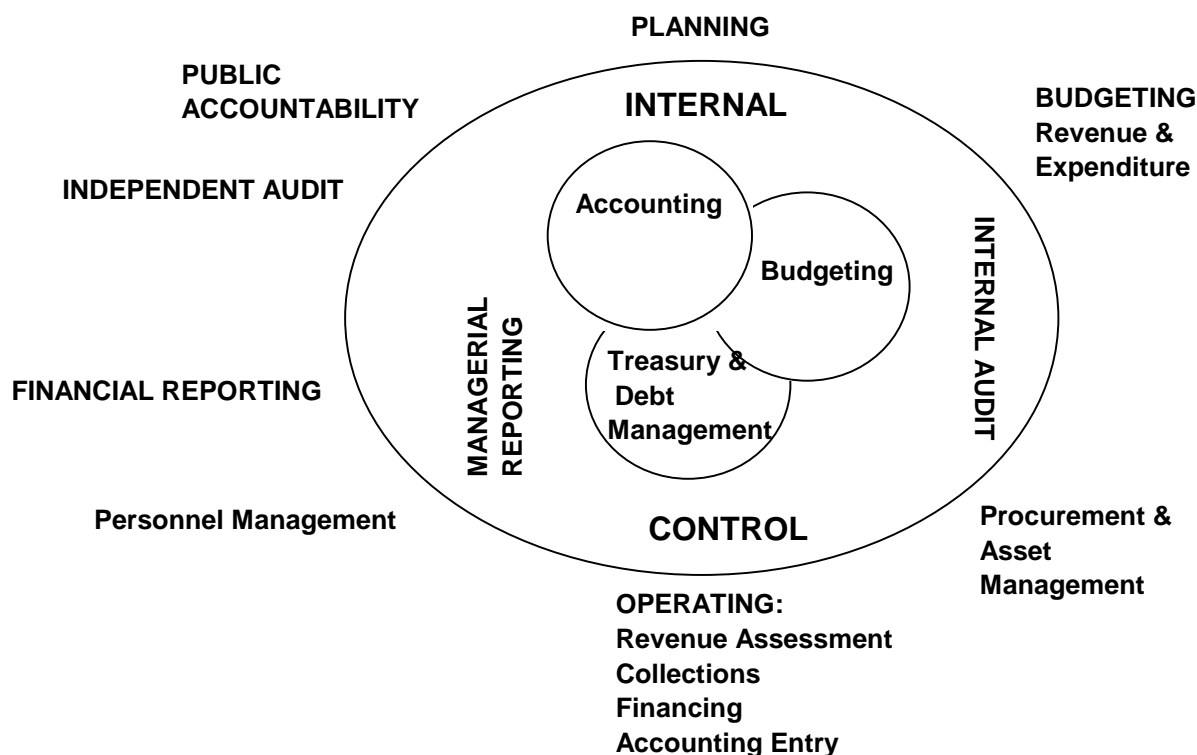
The system is designed to measure and highlight the financial performance and health of the local government and to facilitate decision-making. It should also ensure that the government exercise fiscal responsibility, balancing its needs against realistic assessments of resource availability.

Integration

All components in the financial management system are integrated. For example, the accounting component receives appropriation information from the budget function and data from the treasury component on receipts and expenditures. The budget function, in turn, receives feedback on the

¹ For a more detailed accounting module, see the training manuals, "Accounting for Local Governments in Rwanda—A: Accounting" and "Accounting for Local Governments in Rwanda—B: Workshop Manual for Trainers." For the treasury module, see the "Treasury Management Training Guide for Local Governments on Rwanda." For the budget module, see "Budget Execution and Financial Position of Local Governments in Rwanda" and "Budget Management Training Guide for Local Governments in Rwanda."

execution of the budget from the accounting component, and the treasury management function depends on the accounting function for detailed information on outstanding debts and on the budget data for cash budgeting purposes.



2.2 Themes

Management by Appointed Staff vs. Oversight by Elected Officials

Transaction responsibility and day-to-day financial management rests with management (appointed officials) of the local government. Elected officials shall be responsible for oversight and policy.

The structural emphasis should be on clearer accountability and should support the continuity of the system across elected governments.

Proper Segregation of Duties

Incompatible duties should be segregated (i.e., not handled by the same officer) in order to enhance internal control. For example, in payment transactions there should be at least one officer for authorization, one for central approval, one for custody of assets (and execution), and one for recording. Beyond four officers in any transaction, accountability for each additional signature begins to quickly drop.

Universal Access to Timely Information

The accounting function must ensure that all parties receive financial information on a timely manner. The Executive Committee should be receiving financial updates on a weekly basis, at least informally. The District Council and local community should receive or have access to financial information on at least a monthly basis.

Management of Net Worth and Solvency (Creditworthiness)

Local governments now have to manage permanent account balances that cut across fiscal years. An important indicator of the financial position of the local government is the accumulated surplus account, representing the net worth of the entity. It will also be important to track and manage the local government's level of debt.

Local governments that do not fulfill their obligations in a timely manner always incur costs as a result. If they have to borrow to honor the payments, they absorb interest expenses. However, if they simply choose to delay payment, the additional costs are even higher. Suppliers of goods and services quickly take notice and either cease to do business with the local government or significantly increase prices on subsequent bids to reflect the increased risk of doing business with the government. The loyalty of staff who are not paid in a timely manner will quickly erode and they may pursue their own agendas. For example, unpaid tax collectors may sometimes hold onto monies collected instead of depositing them at the local government's bank account or presenting them to the Treasurer.

3.0 Financial Management System Overview

3.1 Core Components

Accounting is primarily a recording and reporting function. **Budgeting** is primarily a planning and monitoring function, and **treasury** and **debt management** are primarily custodial and financial execution functions. **Audit** (internal and external) is primarily an evaluation function, and **internal controls** are an integral aspect of all the functions in the financial system, as well as of the overall management system.

Accounting is an essential element of the overall system. Without proper accounting, a local government would not have any clear idea of how it is performing financially: whether it is becoming more solvent or more indebted; whether there will be sufficient funds to cover the next three payrolls (or even the next one); or whether financial activities are being executed roughly according to the plans. Furthermore, without proper accounting, it becomes impossible to state whether funds entrusted to a local government have been used for the purposes intended.

Budgeting involves planning how economic resources are to be collected and distributed within/across activities and time and then making a commitment to these plans. The budget helps to determine which contracts should be pursued by the government, taking into consideration priorities already defined at the community level. If/when liquidity becomes severely constrained, the budget may also provide guidance on which payments are to be executed first. However, for budgeting to be realistic and relevant, it must periodically receive feedback from the accounting function.

Treasury and debt management deal with: (a) the custody and management of assets, such as checking accounts and petty cash; and (b) the management of liabilities, such as accounts payable and notes/loans payable. The treasury component also provides important transaction information to the accounting component that supports recording, reconciliation, and reporting tasks.

Internal controls consist of all resources, systems, and tools that help ensure that the entity and its financial management functions operate as intended. They also help prevent errors, misstatements, misappropriations, and other forms of loss. Sound internal controls imply that the entity is operating efficiently and effectively.

3.2 Ancillary Components

In addition to the three core functions, there are several ancillary but important supporting components of financial management.

Auditing is a monitoring component. It consists of a) internal auditing, conducted by auditors who report to management within an entity, and b) external auditing, which is more independent but typically involves a narrow scope of work focused on attestation/certification of financial statements. All of the financial management components above are subject to review by the audit functions.

Procurement involves the purchasing of goods and services and the management of related contracts.

Human resources management deals with staffing, management of benefits, and the financial implications of resources deployed.

4.0 LEGAL FRAMEWORK

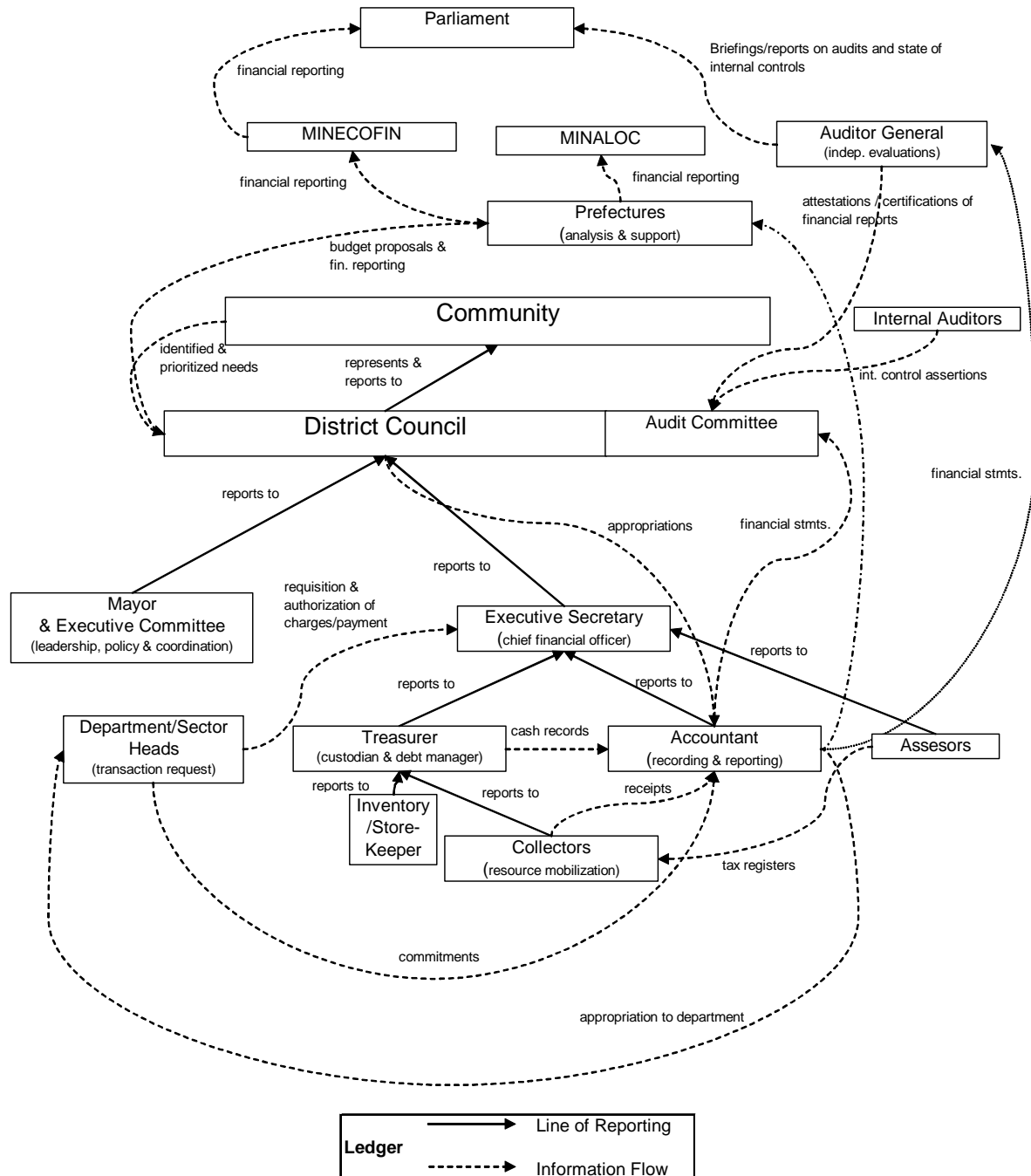
The financial management activities and standards described in this manual are based on a foundation of recently passed laws, most particularly the Akarere Law and the Urban Law. These laws served to formally create the structures of local government and lay out major responsibilities for financial management.

The processes described below have been adjusted after consideration of modern financial management practices used internationally to enhance accountability, effectiveness, and efficiency.

5.0 ROLES & RESPONSIBILITIES

Rwanda Fiscal Decentralization

Financial Management and Accountability



5.1 Department Heads

The heads of departments/sectors within each local government are responsible for seeking appropriations for and managing budgets pertinent to their programs. They are also responsible for monitoring the execution of their budgets and ensuring that funds are employed for the purposes intended. The Executive Secretary will expect departmental approvals on most individual transactions from these department heads before signing vouchers or contracts on behalf of the local government. Department heads must prepare requisitions for purchases requested for their respective departments. Similarly, they must approve proposed payments before these are executed.

Heads of department should, if at all possible, act as controllers (sometimes referred to as “vote controllers”) for their own departments. Most departments in local governments will be sufficiently small to avoid the need for departmental vote controllers. In this context, the departments ought not to be requesting and managing separate petty cash or imprest accounts, but should liaise with the Executive Secretary and Treasurer for each of their cash transaction needs.

5.2 Executive Secretary

The Executive Secretary function will incorporate the role of the chief financial officer for the district (in addition to other responsibilities for administration) and will be responsible for day-to-day financial operations. Directly reporting to the Executive Secretary will be the Accountant and the Treasurer (discussed below). The Executive Secretary should be the final signatory on vouchers, checks, and purchase orders issued by the local government—for most common transactions, the Executive Secretary need not seek input from the Executive Committee, Mayor, or District Council for execution.

The Executive Secretary will:

- Ensure that the Accountant is provided with the time and resources to produce monthly financial reports by the established deadline;
- Monitor the financial status of the local government throughout the month;
- Act on financial projections produced by the Treasurer;
- Approve payments based on requests from department heads; the Executive Secretary is the final signatory on vouchers and checks issued by the local government;
- Lead the budget management team;
- Liaise with department heads on contracts/encumbrances, payment approvals, and charges against their respective departments;
- Approve and issue contracts and purchase orders;
- Ensure that adequate internal controls are in place;
- Assess risks and exposures of budget overruns, project cost overruns, or loss of property;
- Chair weekly payment meetings;
- Seek advice from the Internal Auditor; and
- Provide all necessary support and guidance to Treasurer, Accountant, and Tax Collectors.

The Executive Secretary should not be referred to as the “Accounting Officer” of the district, since this may create confusion on his primary role. The Accountant should have sufficient autonomy to prepare the financial reports to be submitted directly to the District Council, without modification by the Executive Secretary. Similarly, other roles (e.g., Vice Mayor for Finance and Secretary of Finance and Economic Affairs) should not overlap with that of the Executive Secretary.

5.3 Accountant

The Accountant's role is essentially that of recording and comprehensively reporting on the financial status and activities of the local government. The Accountant shall distribute the following reports to the District Council by the sixth working day of each month:

- Accountant's Memorandum to District Council;
- Statement of Financial Position (balance sheet);
- Statement of Financial Performance (revenues and expenditures), by Nature/Object;
- Statement of Financial Performance (revenues and expenditures), by Program;
- Statement of Changes in Financial Position (cash flows);
- Statement of Appropriations, Expenditures, and Encumbrances;
- Statement of Actual vs. Anticipated Revenues;
- Bank Reconciliation Statements, for each bank account; and
- Financial Management Indicators.

On a daily basis, the Accountant will:

- Perform double-entry bookkeeping;
- Maintain journals;
- Maintain ledgers and account balances;
- Maintain appropriately referenced and filed source documents (e.g., vouchers, invoices, requisitions, and account statements) that support the figures reported on the financial statements;
- Liaise with department heads on charges accrued to their respective programs; and
- Attend weekly payment meetings with the Executive Secretary, Treasurer, and optional participants.

Although the Accountant would report to the Executive Secretary, he should be given significant autonomy in his reporting decisions. However, the Accountant should not have custody of significant district assets (e.g., cash, bank checks, and inventory keys), nor should they be asked to sign checks or provide payment approvals. He will provide information to the Executive Secretary and Treasurer on budget and commitment/purchase order balances and goods received.

5.4 Treasurer

The Treasurer is responsible for the custody of assets and the execution of debt management practices. In addition to ensuring that the assets are managed and employed in accordance with prescribed policies and procedures, the Treasurer is responsible for ensuring that sufficient cash is available to meet the most important needs of the local government, carry out cash projections and develop/implement a debt management/resource mobilization plan accordingly. This function absorbs and supersedes that of the Cashier. Thus, the Treasurer would:

- Set up, monitor, and manage bank checking accounts;
- Identify appropriate banking service providers;
- Maintain custody of checks and petty cash;
- Maintain registers on daily cash transactions (disbursements and receipts) executed and current cash balances;
- Manage and document the use of petty cash;
- Coordinate and provide oversight of tax collector activities in the district;
- Develop and maintain cash projections for immediate (weekly), short-term (monthly), and one-year time horizons;
- Develop debt management plans;
- Develop resource mobilization plans with collectors and the Executive Secretary;
- Negotiate debt agreements with banks and creditors and prepare requests for related approvals from the District Council;
- Receive cash, checks, or deposit slips from tax collectors;
- Participate in budget management team meetings;

- Provide daily detailed transaction register to the Accountant on disbursements and receipts effected;
- Review and confirm accountant's bank reconciliations (compare accountant's determination of cash balances with Treasurer's running balances);
- Organize and set agenda for weekly payment meeting (prepare list of proposed payments for discussion by participants) not to exceed one hour;
- Compare Accountant's determination of cash balances with the Treasurer's running balances; and
- Identify appropriate banking service providers.

If there are insufficient staff resources and too few transactions to support the hiring of a Treasurer, then the Executive Secretary (not the Accountant) should take on the full treasury role as part of his job description.

5.5 Tax Assessor

The Tax Assessor will maintain registers of specific tax sources in the local government's domain, in accordance with current applicable laws and best practices.

The Tax Assessor shall provide tax assessments and related registers to Tax Collectors for collection action. Information on outstanding taxes shall be provided to the Accountant for maintenance of tax receivable (memorandum) balances. The Tax Assessor shall also provide periodic updates to the budget management team for projection purposes.

5.6 Tax Collector

The Tax Collector is responsible for seeking revenues from various tax sources. Administratively, he shall report to the Executive Secretary but shall provide either the collections or copies of the corresponding receipts (and bank deposit slips) to the Treasurer on a daily basis.

The Tax Collector will:

- Receive tax assessments from the Tax Assessors;
- Collect taxes from responsible taxpayers;
- Provide copies of receipts to taxpayers and the Treasurer; and
- Provide tax monies collected to Treasurer for deposit.

5.7 Budget Management Team

The budget management team shall consist of the Executive Secretary, the Accountant, the Treasurer, and the District Planner. Budget management meetings are to be held monthly, and members of the Executive Committee and department heads may attend and provide input.

The primary purpose of the meeting is for management to review the progress of the budget's execution, evaluate projections, and determine whether suggested revisions should be proposed to the District Council. This meeting should not exceed two hours.

5.8 Mayor and Executive Committee

The roles of the Mayor and Executive Committee shall provide the overall leadership of the local government, setting district policies and objectives and coordinating with internal and external parties for success in each of the programs/sectors.

The Mayor and Executive Committee shall submit an annual budget request to the District Council for approval. This budget request will be prepared by the Budget Management Team and will take into consideration the priorities identified by the District Council, the community at large, and the Mayor and Executive Committee.

They will also monitor the execution of the budget and the financial performance/status of the local government. They may directly intervene in financial management if this is called for by special circumstances. However, in the context of day-to-day financial transaction activity, their roles will normally be limited. They will typically not be involved in transaction approvals. Mayors need not be signatories on proposed payments, particularly if a department head has already requested a transaction and the Executive Secretary has approved the transaction. Neither of the roles on the Executive Committee should directly overlap with that of the Executive Secretary, and there is no need or benefit in Executive Committee members specifically approving each transaction.

5.9 District Council

The District Council acts as an interface between the local government and the community and is responsible for the oversight of financial and budgetary management of local government. The District Council will:

- Approve budgets, based on priorities identified from the community at large and recommendations from the Mayor, Executive Committee, and Executive Secretary, and approve subsequent revisions and reallocations;
- Review financial management and budget execution reports by the sixth calendar day of each month, confer with District management (the Mayor, Executive Secretary, and Executive Committee), and provide input on prospective actions proposed by management;
- Ensure that financial reports are made immediately available to the community (e.g., through the posting the financial reports outside local government buildings and publishing summarized reports in local newspapers); the Council must also ensure that the community has ample opportunity to provide input on key financial issues and decisions confronting the local government; and
- Establish a debt ceiling for the district government. The Council must define the maximum authorized amount of debt to be incurred by the local government during the year, either in absolute currency amount or in relation to other account/classification (e.g., debt/revenues). The Executive Secretary and Treasurer will be responsible for ensuring the government adheres to this authorization.

5.10 Audit Committee

The Audit Committee will be a subset of members of the District Committee. The Audit Committee will be responsible for:

- Requesting and reviewing the reports of internal and external auditors;
- Monitoring the state of internal controls in the local government;
- Ensuring that there is transparency and accountability to the local community; and
- Ensuring that adequate resources are directed towards internal controls and addressing the recommendations of the auditors.

To avoid redundancy of working groups and committees at the level of the District Council, the Audit Committee would assume the roles proposed for the Economic and Technical Commission in its analysis of audit reports and that of the proposed Board of Survey in its year-end balance verification work.

5.11 Internal Auditor

The Internal Auditor will:

- Provide substantive advice to the Executive Committee and District Council on the design and operation of internal controls in local governments;
- Provide recommendations on prospective policies and procedures considered by the local government (however, the district management must assume full responsibility for its decisions);
- Verify that financial operations are effective;
- Provide proactive input on enhancing the overall efficiency and effectiveness of local government;
- Report to and be accountable to the audit committee of each district council;
- Coordinate and schedule audit activities with the corresponding Executive Secretary; and
- Work for multiple districts simultaneously (a good starting ratio would be one Auditor per five districts) to enhance objectivity, professional growth and authority, and to control costs (For administrative purposes, the Internal Auditor may be pooled with other Internal Auditors at the Prefecture level but will still be responsible to districts).

The Internal Auditor should not, however, be involved in the day-to-day financial activities of the district/local governments. He must not approve transactions or accounting reports, nor should he double-check every single transaction processed by the local government. Such close involvement of the Internal Auditor in daily financial activities dilutes the accountability of the financial staff (Accountant, Executive Secretary, etc.) and significantly undermines the Internal Auditor's independence and objectivity. In this context, he should not initial pre-payment audit certifications for each contract or payment transaction, nor should he be alerted by financial staff regarding minute exceptions, such as dishonored checks or missing accounting stationery.

5.12 External Auditor and Office of Auditor General

External Auditors should produce independent attestations (letters of certification/opinion) on the reliability of the financial statements of each local government. Such attestations should be performed by the Office of the Auditor General at least annually for each district and should be in accordance. These written opinions should then be published and made available to the general public to promote transparency and confidence in local government (See Section 5.9 District Council). The External Auditors may be civil servants, or they can be occasionally contracted through private firms while still managed by the Office of the Auditor General's. Although each individual External Auditor would be responsible to the audit committee in each district, main responsibility will be to his own office.

The external audits should be performed efficiently. They need not include a review of every single transaction but accounts can be selected and evaluated based on their risk and materiality. External audits can also include analytical procedures to speed up evaluations and take into consideration assessments of Executive Committee management/staff to support audit procedure decisions. If heavily short-staffed, the Auditor General may request assistance from External Auditors in the private sector or from Internal Auditors to support their work activities.

5.13 Prefecture of Intara

The Prefecture of Intara should provide support to the local governments in their financial management efforts and provide economic assistance when possible. In particular, the Prefecture should:

- Compile statistics on financial activities and conditions and identify/document key patterns throughout the province (this information would support the Prefecture's own resource allocation decisions and should also be shared with the central ministries); and
- Support the channeling of financial resources to local governments for selected activities.

5.14 MINALOC

The Ministry of Local Government (MINALOC) is the primary interface between the central government and local government entities. A key responsibility is to ensure that sound financial management practices are adopted and implemented in local governments. In doing so, MINALOC receives guidance and standards from MINECOFIN, to be disseminated and implemented in the local governments.

5.15 MINECOFIN

The Ministry of the Economy and Finance (MINECOFIN) is the central financial monitoring and execution ministry in the central government. Among other responsibilities, it defines the financial management framework and standards to be employed across all government entities, including those in local government. In this context, it must regularly provide guidance and input to MINALOC.

5.16 District/Town Development Committee

The primary roles of the District and Town Development Committees (DDCs and TDCs) are to identify development priorities in local governments, taking into consideration anticipated revenues (e.g., Development Fund-related receipts) defined by the budget management team and commitments from higher levels of government and donors. These priorities shall then be addressed as and when such revenues materialize.

Section 4 A, Article 81 of the Akarere Law and Article 80 of the Urban Law provide for the composition of the DDC and TDC as follows:

- The development committees will be chaired by the secretary in charge of finance and economic affairs of the district/town;
- The sector (utagari)/zones will be represented in the D/TDC by the chairpersons of sub-committees in charge of welfare of the population, the economy, and the promotion of development in the sector/ zone;
- The secretary in charge of women's affairs within the D/TDC;
- The secretary in charge of youth welfare in the D/TDC; and
- The Executive Secretary will be the secretary to the committee.

5.17 Procurement Committee

A Procurement Committee shall be established on an ad hoc basis to administer the purchases of the local government when called for and to be performed by the local government itself. The committee will define requirements for a prospective purchase and perform evaluations of related bids.

Procurement Committees shall be comprised of members of local government staff (including the pertinent department head), management, and consultants with specialized technical skills, as required.

Local governments are encouraged to perform joint procurement operations so as to secure better pricing and to reduce the costs of procurement activities.

5.18 District/Urban Service Committee

The District Urban Service Committee will review and propose changes to staffing and assignments against the established human resource policies and compensation scales.

6.0 FINANCIAL MANAGEMENT COMPONENTS

6.1 Budgeting

The democratization of the budget process calls for the participation of various levels of administration, interest groups, and stakeholders. This also means the active involvement of the departments and commissions. The Executive Secretary, to whom the law has charged with the responsibility of presenting the budget, will ensure that this process is followed.

Balancing the identification of prospective outlays must be a realistic assessment of the resources that will be available and a prioritization of the needs against these resources. The local government should be fiscally conservative, with a special effort in each period to avoid a deficit.

Also of importance is the time within which the budget should be prepared and the conservation of resources devoted to the effort. The process should be completed within one month for each local government, beginning with formulation on 15 November and appropriations by 15 December. Monitoring, however, should be an activity performed at least monthly by the District Council.

6.1.1 Determination of Priorities

The law provides for a bottom-up approach to planning through the Community Development Committees (CDC). The sector (imirenge) CDCs will aggregate the priorities submitted from the cells' (utugari) CDCs on their priorities.

The consolidated priorities must be submitted to the department heads, the Executive Secretary, the Executive Committee, and the District Council by 15 November.

6.1.2 Revenue Estimates

Since budgets must be prepared conservatively, revenue estimates will be conservative (the lesser). Officials should follow one of the two following methods to estimate revenues:

- Projected tax revenues that take into consideration the latest available data on tax receivables, service use, and collection rates; or
- Historical revenues for the past year.

Similarly, prospective new categories of revenue sources, e.g., promises for increases in transfers or new taxes, may not be included in the budget since they are subject to higher risk. However, these may be reflected in revisions and be appropriated as and when they materialize.

6.1.3 Submission of Budget Preparation Materials

The Executive Secretary will meet with the remaining members of the budget monitoring team and the District Planner to analyze and evaluate the proposals for implications in the design/preparation of the budget, particularly in materials to be submitted to department heads.

The budget monitoring team will send budget preparation materials (including preliminary revenue estimates) to the heads of departments, along with copies to the members of the District Council.

It will be the responsibility of the District Council members and budget-related committees to channel the documented input and priorities from the communities to the department heads.

6.1.4 Budget Formulation

The heads of departments will be responsible for preparing the first drafts of budgets for their programs, taking into consideration the priorities of the community reflected by the District Council, policy concerns from the Mayor and Executive Committee, and recommendations from technical/sector staff in the

6.1.7 Budget Monitoring and Control

Department heads shall have primary responsibility in monitoring the execution of their respective budgets. A basic tool for doing so, in an overview context, is the “Budget Appropriation, Expenditure and Encumbrances” report prepared by the Accountant on a monthly basis.

The department heads should be able to compare the expenditures to transactions approved by the department head and the encumbrances to requisitions approved, possibly adjusting for items still in the administrative pipeline.

The District Council will also have a role in oversight of the execution of the budget. They shall similarly receive and review copies of the financial reports on a monthly basis. The District Council will, on a quarterly basis at a minimum (possibly at the time of its quarterly meeting), review the execution of the budget and provide documented feedback to district management. Any District Council member will also have the authority to call for a special meeting on the budget at any time within these quarterly meetings.

6.1.8 Budget Revisions

When a department exhausts expenditure allocated to some items in its program or subprogram, the head of the department shall apply to the Executive Secretary for funding on an important priority of the District Council. The Accountant will advise on the items that can be reallocated from another program, and the report will be provided to the council through the Executive Committee. The council will consider the application and approve accordingly. It should be noted that this transfer of funds is between programs.

Reallocation of votes is done within the program. When funds that have been voted for one of the items are exhausted and there is need identified for more funding, the head of department shall suggest possible items whose funds may be reallocated. Such items however should not include the salary items. The approval of this reallocation will be done by the Executive Committee and reported to District Council during its ordinary meeting.

In the middle of a financial year, there may be new funding identified from central government through delegation or devolution of more resources and responsibilities, or the funding is provided by donor agencies and nongovernmental organizations (NGOs) negotiated with in the middle of the financial year. There will be a need to accommodate these facilities in the budget, and therefore the council will approve this facility as a supplementary estimate. The budget management team will prepare the documents and the Executive Committee will forward them on to the council. The presentation of the supplementary budget to the council will be done by the Executive Secretary.

6.1.9 Evaluation

By the end of the third quarter of the fiscal year, the budget monitoring team shall present to the District Council an evaluation of the execution of the budget for the year-to-date and a projection for the last quarter. This information and any lessons learned shall be taken into consideration in the formulation of the budget for the following year. Furthermore, at the end of January of the following year, an updated report shall similarly be presented to the council with the final analysis for the fiscal year recently ended.

6.2 Accounting

The Accounting function is indispensable to the proper financial management of the local government. Without proper accounting, budget management cannot function and there can be no control over financial activities handled by the Treasury function.

6.2.1 Major Qualities

Major qualities of proper accounting include:

a) Relevance

(1) Timeliness

If reports are not distributed in a timely manner, then they have little value. Therefore, Rwandan local governments must complete and submit accounting reports to the District Council, the Prefecture, and the Central Government by the sixth working day of the month following the accounting period.

(2) Have predictive and feedback value (confirms or corrects earlier expectations)

The accounting information produced should help recipients make predictions about the outcomes of past, present, and future events. In so doing, it should also confirm or correct prior expectations.

b) Reliable (Verifiable, Representative, and Neutral)

Accounting is reliable only to the extent that it is free of error and bias and is representative of actual events. It would be considered verifiable if independent/different measurers using the same accounting standards and conventions arrive at the same conclusions. It would be representative if the events described actually happened. It would be neutral if it were objective, truthful, and did not favor special interests (e.g., local government management).

c) Must have Comparability (Including Consistency in Accounting Methods)

Comparability is achieved if accounting information produced by local governments is measured and reported in a similar manner. In this manner, it can be compared and contrasted. Similarly, it helps the prefectures and central governments to aggregate data and formulate judgments on a broader range of local governments. Consistency means that the local government employs the same accounting treatment for similar events, from one accounting period to another.

6.2.2 Reports

Reports that the Accountant shall be required to produce on a monthly basis shall include:

- Accountant's Memorandum to District Council;
- Statement of Financial Position (balance sheet);
- Statement of Financial Performance (revenues and expenditures), by Nature/Object;
- Statement of Financial Performance (revenues and expenditures), by Program;
- Statement of Changes in Financial Position (cash flows);
- Statement of Appropriations, Expenditures and Encumbrances;
- Statement of Actual vs. Anticipated Revenues;
- Bank Reconciliation Statements, for each bank account; and
- Financial Management Indicators.

Examples of these reports are included in Annex 1.

6.2.3 Accounting Concepts

a) Accounting Standards

Accounting standards are bodies of rules that define how business events are interpreted, recorded, and reflected in financial statements. In Rwandan local governments, we shall observe what is referred to as international accounting standards (IAS), governed by the International Accounting Standards Committee (IASC). More specifically, our accounting will be guided by the International Federation of Accountants (IFAC) International Public Sector Accounting Standard (IPSAS).

b) Accounting Basis

The accounting basis determines the timing of recognition of revenues and expenditures (to be described below). Local governments in Rwanda shall use the modified accrual basis, as described by IFAC.

Under this basis of accounting, expenditures are recognized as soon as they are incurred, while revenues are recognized only when they are actually received. Also under the modified accrual basis, only financial assets are recognized as assets, i.e., those assets that may be considered available in the immediate future for financing payments of existing liabilities and operations (e.g., cash). Thus, physical assets such as land, property, and equipment are not included in assets, rather, their purchases are treated as expenditures. Similarly, taxes receivable are not to be included on the balance sheet, however accounts receivable from vendors to be paid in cash in the immediate future can be treated as an asset.

In contrast, all liabilities are recognized immediately when incurred and maintained on the ledgers and balance sheet. These would include such items as accounts payable, accrued liabilities (e.g., accrued salaries and wages), and other debts.

The modified accrual basis is therefore conservative in that it reduces the likelihood of an overstatement of either revenues or assets in the main financial statements while still ensuring that obligations are reflected as they are incurred.

Fixed assets and inventory/stores will be separately tracked in memorandum accounts so that they can continue to be managed, but without compromising the integrity of the main financial statements.

c) Accounts

An account is a unit of classification to show the effect of all transactions and events on a specific type of asset, liability, revenue, expenditure, accumulated surplus, or budget item. At least one account is maintained for each item that appears on any of the financial statements. Examples of accounts are compensation/salary expenditures, cash in Bank Account 1, and accounts payable.

The list of accounts and sub-accounts to be employed by Rwandan local governments is included below:

(1) Financial Accounts

(a) Real accounts

Real accounts (as opposed to nominal accounts) are permanent in nature. They are the accounts that predominate on balance sheets (statements of financial position). Thus, their balances are simply maintained from period to period, with the first period-end balance of a given real account automatically becoming the following period's beginning balance for the same account. The main categories of real accounts follow:

(i) Assets

Assets are economic resources obtained or controlled by the local government that will provide probably future benefits. As described in Accounting Basis (above), assets will include cash, accounts receivable from vendors (not taxpayers or higher government), and inventory of items for resale. For reporting purposes, assets will **not** include fixed or physical assets (e.g., property or equipment); such assets can be tracked separately (and off the balance sheet) in memorandum accounts.

(ii) Liabilities

Liabilities represent amounts owed, i.e., debts and obligations to provide economic benefits to some other entity in future as a result of past transactions. Examples include:

- Accounts payable (e.g., debts to suppliers, employees, or contractors);
- Notes payable, loans payable (to banks);
- Unearned revenues (taxes collected in this period that correspond to next period); and
- Other long-term debt (mortgage).

As mentioned in Accounting Basis, above, we shall recognize liabilities immediately as they are incurred, i.e., when goods are delivered in accordance with a contract/purchase order or when services are rendered.

(iii) Accumulated surplus (net worth)

The accumulated surplus, also referred to as net worth, of the local government represents an estimated net book value of the entity. It is derived by subtracting all liabilities from the assets held by the entity.

(b) *Nominal (income statement accounts, temporary)*

Nominal accounts are temporary in nature. Their balances accumulate and are "closed out" to zero and transferred to the accumulated surplus section of the balance sheet at the end of each accounting period.

(i) Revenues

Revenues are increases in assets and/or decrease in liabilities due to collections or delivery of service. Increases in revenues enable the local government to better meet its current obligations or to establish reserves for future dates.

Revenues include taxes collected locally, fees collected by the local government for services provided (e.g., licensing, permits), transfers received by the Prefecture or the central government.

(ii) Expenditures

Expenditures represent costs incurred by the local government in the present period, whether paid or unpaid.

(2) Fund Type

Accounting of transactions will need to be performed not only in standard proprietary accounts but also by fund type. Local governments in Rwanda will need to classify funds that they receive in two major groups:

- *Recurrent funds* used in the ordinary course of local government business for such things as salaries and supplies; and
- *Development funds* used for capital and infrastructure, such as equipment and roads.

Thus, accounting shall be maintained for each of the funds and reporting performed on a monthly basis.

(3) Programs/Sectors

In addition to tracking expenditures by object/line item (e.g., salaries, fuel, and office supplies), it will be important for local governments to relate the expenditures by their government programs, such as health services, public works, etc. This will provide the ability to draw comparisons of the expenditures (budget execution) to the local government's budget and highlight significant discrepancies and corrective actions, if necessary.

d) Memorandum Accounts

Memorandum (memo) accounts are accounts that do not appear on the main financial statements (balance sheet, income statement, or statement of cash flows). Examples of such examples include budget appropriation information and commitments/encumbrances (potential liabilities, such as orders for goods that have not been delivered). Since our accounting implementation shall be on a modified accrual basis, memo accounts will also include fixed assets.

e) Budget Events

(1) Appropriations (of budgeted revenues/expenses)

Periodically (at least once a year), the District Council will appropriate funds to the budget, to be spent throughout the remainder of the year. The budget allocations will be likely be broken out by government program/sector.

To monitor the execution of the budget, it then becomes important to begin tracking the budget as and when decisions are made at the legislative level and to keep a running fund balance.

(2) Encumbrances/commitments

An encumbrance (also referred to as a commitment throughout this document), is an allocation against the budget for a prospective liability, before the liability is incurred or precisely determined. A typical example would be an order for supplies or a contract for a particular scope of work. Encumbrances do not always mature into liabilities; sometimes work is not performed or goods are not delivered. Nor do encumbrances have to be extremely accurate; they are effectively estimated prospective liabilities if services are rendered or goods received.

Tracking of encumbrances/commitments is important to prevent a budget overrun.

f) Fixed Assets and Depreciation

(1) Fixed assets

Fixed assets represent equipment, buildings, and infrastructure. The value of the fixed assets typically remains unchanged from month to month within the same year.

(2) Depreciation

Depreciation is a method for adjusting the valuation of the fixed assets by an estimate of its economic deterioration to date. The depreciation is derived from predetermined percentages of the original value in accordance with the selected amortization approach (straight-line, accelerated, etc.)

6.2.4 Tools and Procedures

a) Double-entry System

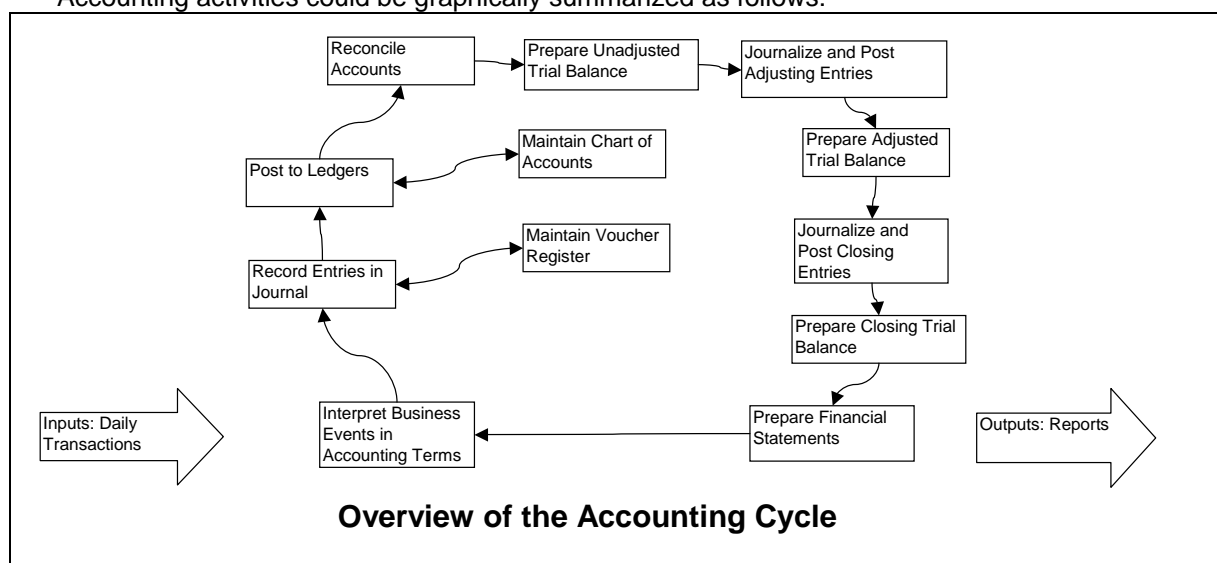
Every transaction will be recorded in at least two (usually four) accounting entries. These entries will consist of debits and credits that will balance each other precisely.

- *Debits* are defined as entries that are posted to the left side of an account
- *Credits* are those entries posted to the right side of an account.

All entries for a particular transaction will be posted using the same reference (voucher) number.

b) Journals, Ledgers, and Activities

Accounting activities could be graphically summarized as follows:



The accountant will have to maintain and report on receivable balances by account (e.g., staff member).

Taxes receivable (treated as memorandum accounts in this system), are to be acted upon by collectors. However, separation of duties must be instituted in the collection of taxes performed outside the local government office premises. This will have two new implications:

1. For any given collection, there shall first be a tax bill produced and delivered to the prospective taxpayer. Each of these tax receivables are to be recorded in a central tax registry, aged accordingly and reported on a monthly basis.
2. Collectors are no longer authorized to collect the taxes off-site. The local government collector (or possibly the Accountant) shall manage the balances and reporting on the accounts. Payment of the corresponding taxes shall now be made by the taxpayer at the local government office. Payment should be given directly to the Treasurer or the designated Cashier at the office.

6.3 Treasury and Debt Management

Treasury and debt management shall be performed most directly by the Treasurer. The Executive Secretary, however, shall be closely involved in treasury management decisions and will provide approvals on all outgoing payments. The Accountant will provide the Treasurer with key information on debt. This will be in addition to the transaction authorization role of the respective department head.

6.3.1 Cash Management

- The Treasurer will be recruited by Executive Secretary and will be confirmed by the District Council.
- In addition, there will be Tax Collectors, hired by the Executive Secretary, that will functionally report to the Treasurer for management of cash receipts/deposits of locally-generated funds and supporting documents.

a) Revenues

(1) Sources

Local governments shall have the following primary sources of revenues

- Taxes (e.g., property tax)
- Charges for services (e.g., fees for licenses and markets)
- Inter-governmental transfers (e.g., from central government)
- Grants from other parties, (e.g., donors)
- Other categories, such as sales of products (if applicable), bank account interest earnings, and (gains on) sales of assets.

(2) Process

- Upon receipt of the money from a given taxpayer, the collector will issue a ticket (receipt) to him or her.
- The Collector will at that time record following information into the tax register against the name of the taxpayer:
 - The date of payment;
 - The amount paid; and
 - The serial number of the tax ticket issued.
- At the end of the day, the Collector will provide a copy of this information to the Treasurer, who, in turn, will update the cash register and provide the list of transactions effected on that day to the Accountant.
- The Treasurer will, as a rule, be the only person to deposit the funds into the bank. However, an exception to this is when the geographic distance between the Collector and Treasurer makes this impractical (e.g., if travel time between the two exceeds forty-five minutes). In such circumstances, the Treasurer will daily receive a report from the Collector on the tax transactions collected, along with all related details and a copy of the stamped deposit slip from the bank.
- If the Collector banks, he/ she will take three bank slips that have been initialed and stamped from the bank, retain one and submit two to the Treasurer.
- The Treasurer will issue a receipt to the Collector and will stamp and sign the Collector's copy of the slip.
- If the Collector delivers cash, the Treasurer will issue a receipt (referencing the check number and the payer's address and recording the receipt number on the

back of the check), promptly bank the money, and make entries to his/ her cashbook.

b) Disbursements

The Department Head, Executive Secretary, and Treasurer will be signatories on vouchers that are paid. The corresponding checks are to be signed by the Executive Secretary and the Treasurer.

An expenditure transaction is initiated by the pertinent department head. By signing the voucher payable, he is authorizing the transaction and asserting that:

- Satisfactory goods or services have been received, in accordance with corresponding contracts, as applicable; and
- Budgetary funds for his/her department are available.

He/she will also provide supporting documents, including invoices and related contracts/purchase orders, if any.

The Executive Secretary will hold the request for payment (voucher payable) and check with the Accountant and Treasurer on the following:

- **From the Accountant:** Verify that the encumbrance has a sufficient balance to accommodate the transaction (this means that budgetary funds have been set aside for the payment and are still available for that department, as asserted by the department head);
- **From the Accountant:** Verify that goods (if applicable) have been received, as reflected by the receiving report; and
- **From the Treasurer:** Verify that sufficient cash is available to execute the payment.

The Executive Secretary may review these considerations for all requests for payment outstanding at a weekly payment meeting at which both the Accountant and Treasurer participate.

It is important that the transaction initiation (authorization), receiving, and payment approval be handled by different individuals so as to effect proper segregation of duties and support internal control.

c) Projections

An important responsibility of the Treasurer is to make projections for cash activity and recommendations on corrective actions, as appropriate. Without ongoing cash projections, the local government effectively assumes a large risk of overrunning its bank accounts, having its payments dishonored by its bank, and experiencing service disruptions.

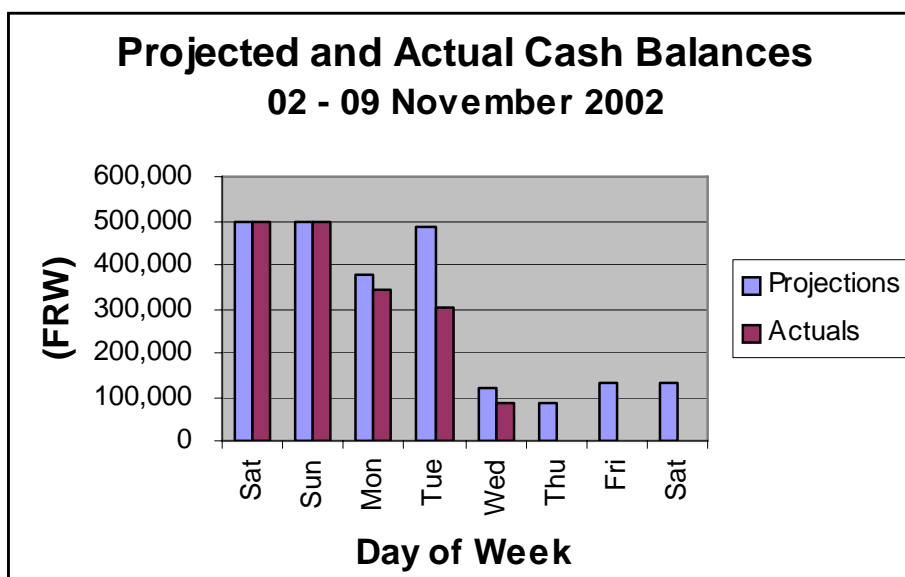
(1) Weekly Projection

The weekly projection is based on transactions that are certain to be executed during the week, and it is normally prepared immediately before payment meetings and revised immediately afterwards following the decisions reached. It is constructed based on:

- Current cash balance, per bank at start of week;
- Outstanding items: uncleared checks and deposits to clear within one week (to be checked against Accountant's reconciliation);
- Petty cash balance;
- Payments approved through last payment meeting;
- Liabilities immediately due (from the register maintained by the Accountant);

- Encumbrances or commitments that will become liabilities and will be paid within one week; and
- Estimate of unanticipated and miscellaneous disbursements through the week.

Weekly Cash Projection (FRW)								
02 - 09 November 2002								
Day of Week	Description	Sat 02-Nov-02	Sun 03-Nov-02	Mon 04-Nov-02	Tue 05-Nov-02	Wed 06-Nov-02	Thu 07-Nov-02	Fri 08-Nov-02
Projected Starting Balance		500,000	500,000	500,000	375,000	487,500	118,500	85,650
Transactions								
	Pay invoice for basic supplies			(12,500)				
	Telephone bill			(50,000)				
	Contractors			(62,500)				
	Deposit clears				112,500			
	Monthly Payroll					(219,000)		
	Monthly Rent					(150,000)		
	Caisse Social						(32,850)	
	Deposit 2 clears							57,500
	Fuel							(12,500)
Projected Ending Balance		500,000	500,000	375,000	487,500	118,500	85,650	130,650
Actual Balance		500,000	500,000	342,150	304,650	85,650		



(2) Monthly Projection

The monthly projection will include projections for the immediate term and anticipated transactions through the end of the month. Thus, it will include (above and beyond those items addressed in the weekly projection):

- Deposits to be cleared by the end of the month;
- Liabilities to be paid by the end of the month;
- Encumbrances to be translated to liabilities and paid before the end of the month;
- A conservative (with at least an 85% perceived probability of being satisfied) assessment of revenues that will be collected by the end of the month, given collection rates as they are now. Such a revenue assessment must be demonstrated

during the most recent month(s), as opposed to being based on revenue targets that guide the collectors and measure their performance.

(3) Quarterly (3-month) Projection

The quarterly projection covers the current and following quarter. Cash balances for each end-of-week should be projected for the first two months.

The quarterly projection should include data from the monthly projection and incorporate related projections through the end of the quarter and the following quarter.

The projection for the quarterly horizon may also include realistic assumptions stemming from the current budget.

(4) 1 to 2 Year Projection

The projection for the 1 to 2 year horizon covers the balance of the current fiscal year and the entire following year.

It should incorporate data for the time periods discussed above and borrow heavily from the revised budgets and economic forecasts, adjusting assumptions as necessary. This would include both recurrent and development planned funding and activities.

d) Selected Practices

(1) Post-dated Checks

The practice of post-dated checks will be immediately discontinued upon issuance of this manual. Local governments may provide deposits or promissory notes to provide assurance to their vendors and service providers should they require guarantees. Local government officials and vendors will do well to recognize that post-dated checks provide assurance to no one and risks to both parties.

6.3.2 Banking

a) Number of Accounts

Each local government shall preferably operate only a single physical bank account (or a maximum of two) for all its transaction activities. The local government can, however, report on the cash in as many dimensions and funds as are appropriate. Use of a single bank account will greatly facilitate monitoring and reconciliation of cash transactions.

b) Bank Selection

Banks for local governments will be selected on a competitive basis based on a formal tender. Criteria to be employed shall include the stability of the bank and the range of services provided, such as the provision of regular bank statements and originals/copies of checks.

The Treasurer will determine the frequency of banking or taking cash to the cashier or bank for the revenue collectors. The Treasurer will also define the minimum amount that should be kept by the cashier in the cash-box/till.

6.3.3 Fixed Deposits

When the budget monitoring team notices a realization of the surplus that exceeds the amount of money required in a particular time, they may advise the Executive Committee to invest the money as a fixed deposit. A fixed deposit account will be operated for a short period. Like investments and loans, a separate ledger account will be kept. Interests from the deposits will be an income to the administration.

6.3.4 Investments

The local council may engage in investments only when approved by the council.

Ledger accounts shall be updated at least annually to reflect the standing value of the investment.

6.3.5 Debt Management

As referred to above, there is always a cost of debt, even if hidden. Suppliers whose payments are withheld or delayed simply factor that into any future bids that they provide. Staff that do not receive salary payments become less loyal to the government, develop their own agendas, and concern themselves less with the interests and activities of the government.

It is vital that the local government track and manage its debt accordingly. As mentioned earlier, the recording and reporting of debt is performed by the Accountant, but the actions taken to address it are carried out by the Treasurer.

a) Authorities Conveyed by District Council

The authority to enter into debt and the approved maximum level of indebtedness shall be explicitly provided by the District Council. The council shall have to balance the needs identified and prioritized by the community and its representatives against the anticipated resources available.

As a general rule, loans should be sought by the local governments to support development projects, as opposed to meeting recurrent expenditure obligations.

b) Overdrafts

No local government account will be overdrawn under any level of approval. The Treasurer will be responsible to ensure that overdrafts do not occur.

c) Payment Prioritization

In the process of managing cash, there may be times that programmed expenditures exceed the immediate availability of cash. Under such circumstances, Treasurers and payment meeting participants will have to prioritize payments, making the most vital payments first and delaying remaining payments until such time that cash is available.

An inability to meet obligations demonstrated over an extended period of time and with no assurance of improvement in the local government's financial position would necessarily lead to strong austerity measures. Failure to impose such measures would inevitably lead to an inability to operate as a local government.

The following provides a hierarchy to guide payment scheduling and execution:

(1) Wages and Benefits Payable

Wages payable will be the first priority in handling outstanding payments and related benefits (e.g., Caisse Social). The local government will ensure that it pays staff by the due dates. If its liabilities to staff extend beyond 90 days, the local government shall be

required to impose reductions in its workforce, at least temporarily until such a time that resources are available and can be sufficiently relied upon to be available in future.

If at any time there is insufficient cash to cover payroll and benefits on their due date, the regular staff shall be paid before the Mayor, Executive Committee, Department Heads, Executive Secretary, and members of the District Council. Also delayed from payment will be reimbursements or advances (e.g., representation funds) to any of these executives until such a time that the regular payroll has been made current.

(2) Accounts Payable

Another important area, almost as essential as wages payable, is that of accounts payable. The local government depends on outside suppliers of goods and services to function normally, and it is therefore important that these suppliers can trust the local government to pay its bills in a timely manner. As discussed above, failure to do so will ultimately result in an unavailability of goods from suppliers when these are urgently needed and higher long-term costs.

(3) Notes Payable

Notes payable essentially represents loans and debts to banks. They shall take on a third level of obligation in the hierarchy of outstanding payments.

6.3.6 Inventory (Stores and Stocks) and Fixed Asset Management

Inventory and fixed asset management will be integrated into a single function to maximize the use of human resources.

Inventory management will involve balancing two key priorities:

- Avoiding service interruption resulting from a lack of supplies; and
- Avoiding excessive stocks that unnecessarily tie up cash.

Inventory management shall be fall organizationally under the Treasurer since it is primarily a custodial function, however it shall also provide continuous updates to the Accountant and the procurement function.

Among other benefits, fixed asset management balances the need for new investments in property and equipment with the costs spread out over their useful lives and the ability to pay for it.

In this context, a storekeeper may be recruited by the local government and would be under the overall supervision of the Treasurer. In the event that a storekeeper is not recruited or available, then these functions shall be handled by the Treasurer.

Inventory and fixed asset management shall encompass the following responsibilities:

- Ensuring proper handling and maintenance of the stores;
- Maintenance of proper records (register of stores, register of fixed assets) regarding the items under the control of the local government and requests for their usage/assignment;
- Allocations of costs to departments and depreciation (memo accounting), as necessary;
- Security over the disposition and condition of the stores and fixed assets (this includes control over access to the inventory and fixed assets, such as retention of keys for stock rooms);
- Periodic reconciliations;
- Projections for the needs of new supplies and equipment; and
- Disposals of equipment or inventory, along with the preparation of supporting documentation and reporting.

After the monthly reconciliation, the values on the stores (memo) ledger balances should be compared against the actual stocks and adjusted by the accountant accordingly.

6.4 Internal Controls

6.4.1 Definition

Internal control is currently defined as all systems and resources that help to assure that the entity meets its goals, including people, skills, policies, information, communication systems, values demonstrated by senior officials, etc. Included within internal controls is financial control, i.e., the protection of assets and economic resources. More specifically, it is defined as a process *designed to assure the achievement of objectives* in: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

6.4.2 Contrast with Internal and External Audit Functions

As shall be discussed below, internal control should not be confused with either the internal audit or external audit functions. The audit functions are only one element of the internal control structure. The most important internal controls are embedded within the financial processes themselves and the management structures that oversee them.

6.4.3 Benefits vs. Costs of Controls

Inherent in the planning and establishment of internal controls is the concept of "reasonable assurance," which dictates that the cost of planned internal controls should not exceed the potential costs (exposures) of not having them in place.

6.4.4 Informal vs. Formal Controls

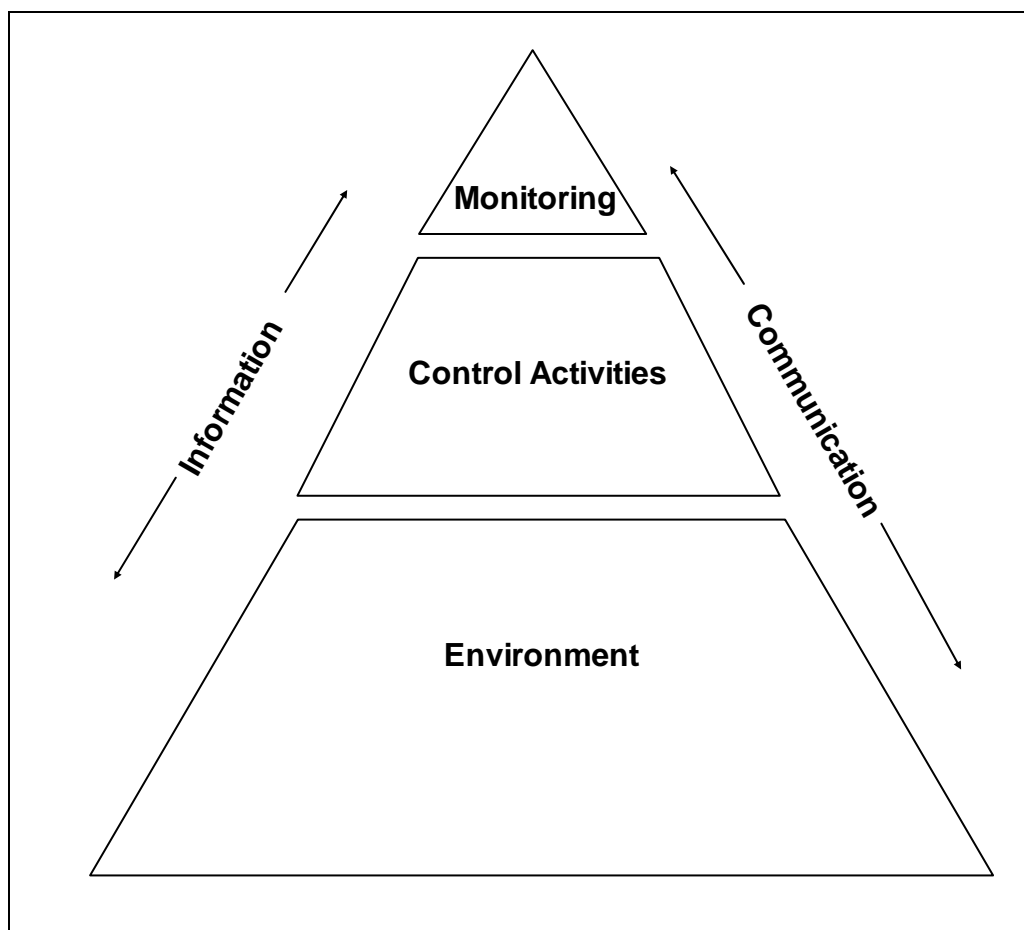
Informal controls refer to elements in the internal control system that are not rigidly defined. These include such elements as the quality of staff, communication, organizational culture, and the tone set by senior local government officials towards accountability and control. Formal controls are highly structured in nature, including such items as policies, procedures, laws, and signature approvals. As a general rule, informal controls are more robust, more adaptable to changes in a local government, and easier to maintain.

6.4.5 Internal Control Model

Internal control models are employed to help ensure that controls are reviewed and assessed in a balanced manner, across all the important dimensions. Several internationally known internal control models are in use, such as COSO (from the US), Cadbury (from the United Kingdom), and CoCo (from Canada). All the models effectively measure the same dimensions.

The COSO model can be simplified to classify internal controls into four main categories.

- **Environment:** The tone as established at the top: organizational culture and leadership;
- **Control Activities:** Those tasks traditionally associated with controls, such as policies, procedures (e.g., segregation of functions), and approvals;
- **Monitoring:** The evaluation of systems by management and Auditors; and
- **Information and Communication:** All information flows, hard and soft in nature, that support the local government's operations and internal coordination.



6.4.6 Preventive vs. Detective Controls

Preventive controls represent controls that are exercised before a business event happens. For example, an invoice might be checked against a related purchase order issued by the local government *before* related payment is made. In contrast, detective controls are applied *after* the related business events happen. For example, cash reconciliation would help to detect and identify payments that occurred that have not already been recorded in the corresponding journals/records (including unauthorized payments).

As a general rule, preventive controls are considered superior to detective controls, but under certain circumstances, detective controls are either more practical or more cost-effective. The mix of preventive/detective controls is determined by the relative risks to be controlled versus the costs of implementing the controls.

6.4.7 Approvals and Proper Segregation of Functions

Segregation of functions (also referred to as separation of duties) refers to preventing functions that are considered to be incompatible from being handled by the same group of people or roles. For example, if an Accountant had the ability to execute transactions (a treasury role), he could misappropriate funds and manipulate the accounting to hide this fact, thereby avoiding detection. To prevent such events, certain functions are segregated across separate functions/individuals.

6.4.8 Processes, Risks, and Mitigating Controls

Below is a table of key processes, risks, and mitigating controls to assist local governments in evaluating their financial operations.

PROCESS	RISKS	MITIGATING CONTROLS
Budgeting		
	Budget does not reflect needs of local community.	<ul style="list-style-type: none"> Budget will be based on input from local community. Elected community members will represent members of community.
	Budget does not reflect priorities of government officials.	<ul style="list-style-type: none"> Budget accepts input of department heads, Mayor, and Executive Committee. Budget receives "no objection" from Prefecture.
	Budget is unrealistic.	<ul style="list-style-type: none"> Budgeted revenues will be less than projected receipts and historical revenues. Budgeted expenditures will be greater than projections and historical expenditures.
	Budget overruns.	<ul style="list-style-type: none"> Budget execution will be monitored by budget management team, Executive Committee, and District Council.
	Funds provided are not employed for purposes intended.	<ul style="list-style-type: none"> Reporting of budget execution will be reviewed by District Council on a monthly basis. Approval, execution, and accounting functions will be segregated. Annual independent (external) audits will be conducted.
Accounting		
	Relevant financial information is not received by interested parties.	<ul style="list-style-type: none"> Perform reporting in compliance with international standards. Financial status will be shared with Executive Committee each month. District Council will receive financial reports on a timely, monthly basis. Local community will have access to the regular reports (at least, postings of financial activities on front of District locales).
	Accounting is materially incorrect.	<ul style="list-style-type: none"> Monthly financial reports will be reviewed by department heads. Accountant and Treasurer will cross-checking daily. Cash reconciliation will be reported monthly (matching bank statements and treasury records). Journals, ledgers, and trial balances will be implemented and used properly. Adequate supporting documents will be in place and accessible Internal Auditor will provide guidance on accounting controls. Independent audits will be conducted.
Treasury and Debt Management		
	Inappropriate disbursements are effected.	<ul style="list-style-type: none"> Department head will take primary responsibility on authorization and initiation of payment. Receiving reports will be checked by

		<ul style="list-style-type: none"> Executive Secretary prior to disbursement. Two signatures (Executive Secretary and Treasurer) will be required on checks. Accountant will record payments independently of treasurer (ex-post). Accounting system will require supporting documentation for each transaction recorded (ex-post). Cash will be reconciled (ex-post).
	Cash or check receipts are misappropriated.	<ul style="list-style-type: none"> Check receipts will be accounted for. Tax registers will be updated and tax statements adjusted accordingly. Tax collectors will rotate periodically to cover different geographic regions.
	Cash is unavailable when needed	<ul style="list-style-type: none"> Treasurer will monitor and project cash flows and balances. Weekly payment meetings will be held to determine which payments will be executed with available cash and how much contingency will be retained.
	Debt levels exceed local government's ability to pay.	<ul style="list-style-type: none"> District Council will set debt ceiling. Accountant will record and report debt levels on a monthly basis. Register of liabilities will be updated periodically by Accountant and reviewed by Treasurer, Executive Secretary, and department heads for action. Treasurer will propose debt management measures (balancing need for liquidity). Treasurer will negotiate with current and proposed creditors on payment terms.
	Fixed assets or inventory are misappropriated	<ul style="list-style-type: none"> Fixed assets on hand will be periodically compared to the fixed assets register.
	"Phantom employees" appear on payroll register.	<ul style="list-style-type: none"> All changes to payroll roster are supported by Personnel Action Forms (PAFs) approved by appropriate department head and Executive Secretary. All payments are delivered by Treasurer in person All charges are reflected in budget execution report on monthly basis.
Procurement		<ul style="list-style-type: none">
	Items purchased are not actually needed.	<ul style="list-style-type: none"> Procurement order to be initiated based on requisitions submitted by pertinent department head. Cross-check against the department procurement plan and budget. Executive Secretary will provide final approval of purchase order.
	Goods or services are overvalued.	<ul style="list-style-type: none"> Establish competitive process based on the value of the order. Budget execution reports to be monitored.
	Items are paid for without receipt of goods.	<ul style="list-style-type: none"> Payment request/authorization will be required by department head. The proposed payment voucher will be matched to the purchase order and received report.
	Items are paid for more than once.	<ul style="list-style-type: none"> Purchase order/commitment balance will be tracked and reported by Accountant.

Auditing		
	External audits do not provide assurance on overall financial condition.	<ul style="list-style-type: none"> • External audits will be performed in accordance with international government auditing standards. • External audits will be required to render opinions (certification/attestation) on the financial statements. • External Auditors will undergo training on modern audit techniques. • External Auditors will borrow internal audit staff to support fieldwork, if necessary.
	Internal Auditors focus excessively on narrow aspects of internal control.	<ul style="list-style-type: none"> • Internal Auditors will provide District Council with overall assessments of internal control systems on a quarterly basis and recommendations for improvement.
Human Resources Management		
	The staffing level is incorrect.	<ul style="list-style-type: none"> • Staff levels will be validated against both local government operational plans and budget.
	The staff mix is incorrect.	<ul style="list-style-type: none"> • Jobs will be defined based on actual needs. • Staff assignments will be performed based on job requirements.

6.5 Auditing

6.5.1 Internal Auditing

Internal auditing involves an ongoing assessment of the system of internal controls by staff that report to the entity being evaluated. The Internal Auditor advises the District Council and management on how to improve the operations of the local government and enhance its internal controls.

Internal auditing and internal controls should not be confused with one another. Internal control is embedded within each of the financial functions and management functions. In the broadest sense, they represent all systems and resources that help ensure that the local government meets its goals, including people, skills, policies, information, and communication systems. One area of particular interest to internal controls is that of financial management. Internal audit is therefore just one element of the internal control system, albeit an important one.

Since the Internal Auditor is part of the local government's staff (or, at least, ancillary staff) on a shared basis with other local governments, he is not entirely independent of the entity (as would be the External Auditor). Nonetheless, it is important for the Internal Auditor to be independent in attitude.

The scope of internal auditing function is significantly broader than that of the External Auditor. The internal auditing function is responsible for evaluating all aspects of efficiency and effectiveness in the local government and the related risks. Thus, in addition to conducting selected audits of a financial nature, the internal audit function will carry out performance audits to assess how well the local government is conducting its activities.

It should be clarified, however, that the internal audit function is not primarily that of a policeman to be called in to investigate every minor exception or error. Although the Internal Auditor will be equipped to perform specialized tasks such as forensic audits in cases of suspected fraud, the use of their time on such tasks should be very infrequent.

As mentioned above, it is anticipated that Internal Auditors will be shared between local governments. This will likely enhance their objectivity and reduce costs. They may also be seconded to support external audit work, as and when needed.

6.5.2 External Auditing

The primary role of the External Auditor (including the Office of the Auditor General), as it relates to local government financial management, will be to express an independent opinion (certification/attestation) on the reliability of the financial statements and whether there has been compliance with laws and regulations. This will be performed in the context of a government financial and compliance audit. This responsibility shall take precedence of any and all other work performed at the local government level by the External Auditor and staff of the Office of the Auditor General; it will provide a higher level of confidence in the financial statements by the District Council and the local community.

As a matter of clarification, the external audits in Rwandan local governments should not include performance audits. This scope of work should be assigned entirely to the internal audit function.

The External Auditors will essentially express reasonable assurance that the financial statements are free of material misstatements and in accordance with International Public Sector Accounting Standards. It should be noted, however, that no audit can provide absolute assurance in this regard.

The External Auditor must be independent of the local government, i.e., he may not be an employee of the district government or a member of its council. Furthermore, to remain independent, he may not be owed significant amounts of money by the local government. The External Auditor must be competent to perform an audit and render an opinion, and he will be selected by the Audit Committee, to whom the Auditor shall report his findings.

a) Types of Opinions

The opinion letter issued would be one of several types:

- *Adverse Opinion*
An adverse opinion means that the Auditor believes, contrary to management's assertion, that the financial statements do not present fairly the financial condition and performance of the local government on the ending dates and period, due to many or significant departures from the accounting standards.
- *Disclaimer of Opinion*
A disclaimer of opinion means that the Auditor is not able to express an opinion, typically due to a lack of information on material items.
- *Qualified Opinion*
A qualified opinion is provided when the Auditor does not agree on a specific portion of the financial statements in relation to the accounting standards.
- *Unqualified Opinion*
An unqualified opinion means that the Auditor agrees that financial statements fairly present the financial condition and performance of the local government on the ending date and period.

The goal of the local government is clearly to obtain an unqualified opinion. Qualified opinions do not breed confidence in financial statements, while full disclaimers and adverse opinions may be viewed as disastrous; in practice, the latter two types are very uncommon, and even qualified opinions can be considered out of the norm. In short, local government success on audits calls for unqualified opinions.

6.5.3 Compliance

Inherent in the financial audit is an assessment of compliance with laws and regulations applicable to the use of government funds.

External audit reports should be presented to the Audit Committee by the last day of March following the year audited. To help meet that deadline, copies of the year-end financial statements should be formally presented by the Executive Secretary to the Auditor by the second week of January. The audit work, however, may begin months earlier.

6.5.4 Model Unqualified Opinion Letter

**REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS, AS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying Statements of Financial Position of the Government of _____ as of 31 December 200_ and 200_ and the related Statements of Financial Performance, Changes in Financial Position for the years then ended. These financial statements are the responsibility of the management of the local government. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Government Auditing Standards of the International Organization of Supreme Audit Institutions (INTOSAI). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Government of _____ as of 31 December 200_ and 200_, and the results of its operations and its cash flows for the years then ended in conformity with International Public Sector Accounting Standards of the International Federation of Accountants.

Name of Auditing Entity

Date

6.5.5 Model - No Reportable Conditions Identified

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Audit Committee,
District Council of Government of _____

We have audited the financial statements of the Government of _____ as of and for the year ended 200_, and have issued our report thereon dated [Date]. We conducted our audit in accordance with the Government Auditing Standards of the International Organization of Supreme Audit Institutions (INTOSAI). (Replace with IFAC, if appropriate)

Compliance

As part of obtaining reasonable assurance about whether the Government of _____'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under the Government Auditing Standards referred to above.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government of _____'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters. In the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the District Council audit committee, management, and central government agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Name of Auditing Entity
Date

6.5.6 Audit Process

a) Audit Planning

The first step undertaken by the Auditor will need to prepare a preliminary plan of activities required to support the audit objective.

b) Understanding of Internal Control and Control Risk Assessment

An important audit activity will be to gain an understanding of the local government's internal control system and make a preliminary judgment of risk to guide his remaining activities and assessment of audit effort.

c) Tests of Controls/Reassessment of Control Risk

Tests of controls are designed to gauge whether internal controls operate as they are intended. They involve test transactions and assessing whether controls identified by management are actually employed. If internal controls are indeed operational, this would provide the Auditor with a higher level of assurance regarding the financial management system, and the Auditor could possibly reduce the amount of substantive testing that would otherwise be required to support the audit.

d) Detailed Audit and Substantive Testing

Substantive testing involves testing the amounts of the transactions and account balances themselves. The Auditor may choose to perform statistical approaches to measure the extent

The opinion letter presented by the Auditor would finally summarize their conclusions. The Auditor would also be required to present a report on compliance and internal control.

6.6.2 Approval of Requisition

The Executive Secretary will ask the Accountant to provide the budgetary balance of the department and approve the requisition if the proposed purchase is reasonable and in accordance with the department's mission and work-plan. In addition and of particular importance, the Executive Secretary will need to verify that sufficient budgetary funds for that department are still available and if the entity has (or will have) sufficient cash to meet the resulting liability.

6.6.3 Application of Thresholds

The procurement process will then take one of several paths, based primarily on the value of the proposed procurement and pre-established thresholds.

MINALOC, in consultation with the National Tender Board, will provide guidelines on the upper limits of amounts of money the District / Urban Tender Board will handle. Tenders involving amounts of money beyond the prescribed limits will be referred to the National Tender Board for consideration.

If the item is not needed urgently and is commonly used by other departments or would likely be packaged with other goods from a similar vendor, the Executive Secretary may choose to delay issuance of the purchase order for a short period (not to exceed one month) to package multiple items in the same purchase order.

For relatively inexpensive items, not exceeding 15,000 Rwanda francs (FRW), the Executive Secretary would have discretion to approve payment out of petty cash or directly via bank check. After the purchase is effected, receipts must be provided to the Accountant and filed accordingly.

For purchases exceeding 15,000 FRW and less than 100,000 FRW, the requisition must be subjected to at least three quotations. All quotations received must be stored and recorded as supporting documentation.

For purchases exceeding 100,000 FRW and 500,000 FRW, the requisition must be subjected to a formal tender process administered by the local government.

For purchases exceeding 500,000 FRW, the procurement must be administered by the province or central government.

6.6.4 Invitations to Bid and Requests for Proposals/Request for Quotations

The following will describe the preparation of bid request documents in cases where this is conducted directly by the local government.

Advertisements are to be placed in the public media as well as the public notice boards, and the Intara is to be informed accordingly.

The advertisement should specify the nature of goods, services, and works required, the time schedule, the date and time when the tender receipts will be closed, and the address to which the tender should be directed. The fee for purchase of tender documents may also be specified.

Tender documents will furnish information necessary for a prospective bidder to prepare a bid for the goods and works provided. While the details and complexity of these documents may vary with the size and nature of the proposed bid package and contract, they generally include: an invitation to bid; the form of bid to be submitted; the form of contract to be issued; both general and specific specifications on the conditions of contract; a list of goods or bills of quantities; and a delivery time or completion schedule.

The content of the tender shall be determined in most cases by the department head with input from the Executive Secretary. For contracts that are particularly technical and material, consultants that are specialists in the particular field shall support the development of the tender materials.

6.6.5 Evaluation of Bids/Proposals

For purchases involving a formal tender process, the local government shall create a procurement committee composed of the department head, and two other members, including the Treasurer (if the local government is large enough to have a Procurement Officer, he or she would take the place of one of the financial officers). The procurement committee will be composed of local government staff and possibly consultants. It shall not include members of the District Council, given their separate role in financial oversight.

Evaluation of the tenders will include persons professionally knowledgeable with the tender being considered.

The procurement committee need not necessarily select the lowest bidder but will provide reasons as explanation, and such reasons will be recorded. Such reasons however may include issues such as better quality or quicker delivery. The Executive Secretary must accept the selection of the procurement committee.

As a matter of policy, local governments shall not be purchasing goods or services on credit to exceed 30 days from receipt of invoice. It is important that the local government ensure that it has (and will have) the cash necessary to pay for its goods and services in a timely manner. Thus, credit facilities shall not be a consideration or criterion in selecting the vendor.

Evaluation of Bids for Goods (Form)

Government of _____

1. Descriptions of goods to be procured _____
2. Number of suppliers invited _____
Number of suppliers who responded _____

3. Quotations Received

Name of Suppliers	Received Date Quotation	Price

4. Ranking of Quotations by Price for those that met the technical requirements:

Bidder	Price

5. Quotations that did not meet the technical specifications :

Bidder	Reason(s)
--------	-----------

6. Name of the lowest evaluated Supplier _____
7. Total price of the Contract _____
8. Date of Contract award _____
9. Any issues (to be) discussed at finalization of contract. (Details to be provided)
10. Complaints from Other Suppliers, if any. (Details to be provided)

Date: _____

Signatures of Procurement Committee Member _____

6.6.6 Contract Award and Management

Contracts shall be awarded by the District Tender Board for works to be performed. They will therefore be managed as follows:

Contracts register

There will be a contracts register maintained by the accountant. The contracts register will have details of contracts awarded, their performance status, and the payments made to date. A contract that includes a supply of materials will require a purchase order to be issued to the contractor.

Contract certificate

Contracts and payments that are phased to be paid in installments according to work schedule and amount of work done will require the preparation of contract certificates prepared by a technical person demonstrating the amount of work done and its worth. This certificate must be signed by a head of department.

Petty contracts

This is contracted when the jobs or works and services are minor and performed by casual laborers. Procurement standards defined by the central government shall determine the kinds of expenditures that can be incurred using petty contracts. A petty contract can be awarded by department head.

6.7 Revenue Management

Revenue management involves all aspects of activities associated with taxes: planning, assessments, taxation, charges for services, collections, issuances of receipts for payment, related accounting, and cash reconciliation. Many of these topics are already covered within the previous sections.

Although the details of the tax system are laid out in a separate document, the design of taxes seeks to balance several criteria:

- **Equity**, seeking to collect from those that most benefit from services, while still considering the ability of citizens to pay for them;
- **Adequacy**, in terms of actually producing additional tax revenue in response to the imposition of such a tax. This depends on the nature of tax (e.g., sales tax revenues are more responsive to changes in the economy than those of property tax) and tax elasticity (e.g., measured as a percent change in tax revenues based on a percent change in income). In this context, tax rates that are excessive will have a negative impact not just on the local economy income but on tax revenues themselves;
- **Collectibility**, balancing the revenues produced against the costs and effort of collection (property tax assessments generally cost more to administer than sales taxes); and
- **Economic impact**, seeking to avoid distortions to economic activity.

6.8 Human Resource Management

The human resource management function is an ancillary component of the financial management system. Similar to procurement activities, personnel actions have a significant impact on the financial condition of the local government, typically manifesting themselves through the payroll process. Thus, this section will not seek to elaborate on all aspects of human resource management, but will provide an overview and highlight those that have a direct bearing on financial management.

6.8.1 Human Resource Strategy and Structure

All local governments must have a defined, documented, and current strategy for the deployment of human resources. This strategy must be tied to the local government's business plan and reflect how human resources will support the achievement of that plan, across all business activities and categories of staff.

The strategy must indicate what jobs, by category (full-time, part-time, and temporary), and consultancies will be required to support the envisioned workload.

Similarly, the strategy must demonstrate that the cost estimates of the resources are conservative and can realistically be absorbed by the local government in terms of its budget and past financial performance. In this context, the human resource strategy must be closely coupled with the local government budget and operational plan.

6.8.2 Compensation Policy and Administration

Compensation policy and the application of those policies are fundamental to successful operation of the human resource function. Such policies cover the assignment of grades/levels to each of these positions and the appropriate compensation levels.

By and large, these policies are defined by the central government through the civil service system and is adapted to local government use by MINALOC.

An important additional aspect is the policy that governs benefits, including:

- Caisse Sociale;
- Holidays;
- Annual Leave; and
- Expenses Covered for Staff.

6.8.3 Personnel Action Forms

Financial activities stemming from human resource activities are supported by personnel action forms (PAFs). personnel action forms represent any significant action taken on a staff member's status or compensation level. Key personnel actions include:

- Hiring (PAF supported by a letter of appointment);
- Promotion to a higher level job (supported by recommendation of a manager and approval of the Executive Secretary);
- Salary increase (within the job)
- Termination (PAF supported by letter of resignation or documented action by Executive Secretary).

6.8.4 Personnel File/Staff List Maintenance

The Staff List is a key source of information from which the payroll roster is developed each pay period. It is therefore essential that information maintained on staff is current and accurate.

a) Personal data

This includes all personal details relevant to the local government, such as:

- Full Name
- Employee Number
- Date of Birth
- Address
- Position Start Date
- Date Furloughed (if applicable)
- Position End Date (if applicable)
- Employment Status ("Active" or "Inactive")
- Current Title

b) Education

- Number of Years of Schooling
- School Attended
- Starting Date
- Ending Date
- Certificates/Degrees obtained

c) Employment Terms

- Job Title

- Current Salary
- Applicable Benefits
- Allowed Expenses

6.8.5 Skills Inventory

All staff expertise shall be summarized and classified in the form of a skills inventory. The purpose of the skills inventory is to facilitate the comparison of skills currently held by the local government as a whole to the needs defined by its strategic and human resource strategy. Where gaps exist, either the staff assigned or the strategy should be adjusted accordingly.

6.8.6 Staff Assignment

The staff assignment table indicates where (i.e., to which department) the costs of each staff member should be allocated for a given time period. This is important in assigning the correct figures against local government programs.

Annex 1. Sample Financial Reports

Monthly Accountant's Memorandum to District Council

The monthly Accountant's memorandum to the District Council should be a summary of key observations on the status of the District at the end of the accounting period and the financial and economic events that have transpired. It reflects the accountant's analysis of the month's critical events and highlights those issues that the accountant believes deserve special attention from the Council.

Monthly Accountant's Memorandum to District Council for the Month ending 31 January 2002 (Sample)

Date: 05 June 2002

From: Jovin Uwimana, Bugarama District Accountant

To: Members of the District Council

Cc: Mayor, Executive Secretary, Executive Committee

The attached reports describe financial activity undertaken by the Administration of Bugarama district during January and the resulting financial position.

Comments:

- a. The District received significant grants from the Prefecture (FRW 1.0 million) and from DFID (FRW 4.0 million) during the month of January. This enabled the District to pay staff for salaries and benefits owed to them since November 2001 and enhanced the District's financial position. The District's cash position increased by more than 80% (from FRW 1.0 million to FRW 1.83 million) and total debts were reduced moderately (6.9%) to FRW 6.5 million.*
- b. However, the District's actual expenditures significantly exceeded its anticipated expenditures. Expenditures and encumbrances for the month ranged from 312% to 390% of anticipated budget execution, across all government functions.*
- c. Revenues from Taxes and Services remain very low, equivalent to only 3.4% of Expenditures. In response, on 12 January, the Executive Committee mandated a new initiative to bolster own -source revenues to make the District less dependent on Transfers and Donors; the first step will focus on overdue and delinquent taxes payable.*

The District purchased medical equipment (FRW 128,000) to support the Medical function's blood-screening efforts. It also ordered surveying equipment (FRW 250,000) to support public works. projects; this equipment should be received by the middle of February.

Statement of Financial Position (Balance Sheet)

The Balance Sheet provides a snapshot or image of the financial condition of the local government at a particular date.

Government of _____				
<i>Statement of Financial Position/Balance Sheet</i>				
<small>last day of month</small> at _____		<small>year</small> 20__		
(Modified Accrual Basis)		Current	Prior	
		March	February	January
Assets				
Cash				
	Bank Cash	56 925	55 897	52 483
	Petty Cash	4 275	4 198	7 538
	Accounts Receivable (not incl taxes receivable)	9 990	9 810	12 347
	Inventories exclusively for resale			
	Loans Receivable (if applicable)			
Total Assets		<u>71 190</u>	<u>69 905</u>	<u>72 368</u>
Liabilities				
Compensation Payable		0	0	0
Accounts Payable		67 500	72 004	62 805
Notes Payable		20 250	21 601	24 841
Unearned Revenue (collections for future periods)		26 100	27 842	32 018
Other Long-Term Debt		58 500	62 403	71 763
Total Liabilities		<u>172 350</u>	<u>183 850</u>	<u>191 427</u>
Accumulated Surplus or Deficit (Net Worth)		-101 160	-113 945	-119 059
Total Liabilities & Accum Surplus / Deficit		<u>71 190</u>	<u>69 905</u>	<u>72 368</u>
<small>* Encumbrances (Commitments) - prospective new liabilities</small>		21 870	24 634	25 740

The balance sheet is broken down into three sections, with Assets on one side of the sheet and Liabilities & Accumulated Surplus on the other side, precisely offsetting the Assets.

Assets represent resources that the local government controls and can employ for the benefit of the community. Under the Modified Accrual Basis, which we employ, assets include Cash, Accounts Receivable from staff and regular suppliers, and Inventories for Re-sale. Liabilities, however, represent all debts of the local government. These may include accounts payable (owed to vendors/suppliers), wages payable (salaries and benefits owed to staff), notes payable (owed to banks), and long-term debt (e.g., employment taxes owed to the central government). The accumulated surplus is an accounting assessment of the net worth or net value of the local government and is determined by subtracting all debts from the assets. If the accumulated surplus is negative, this means that the local government is relatively insolvent.

In the example above, the local government at the end of March has a total of FRW 71,190 in assets, 80 percent (FRW 56,925) of which is in the bank, 6 percent (FRW 4,275) of which is in petty cash, and 14 percent (FRW 9,990) of which is in the form of highly reliable accounts receivable. The local government also has a total of FRW 172,350 in liabilities, consisting of FRW 62,500 in accounts payable (debts to vendors/suppliers), FRW 20,250 in notes payable (debts to banks), FRW 26,100 in unearned revenue (tax revenues earned prior to the tax period to which they correspond), and FRW 58,500 in other long-term debt.

This has resulted in a accumulated surplus of negative FRW 101,160, which is derived by subtracting the total liabilities from the total assets. This means that liabilities exceed all resources under the control of the local government, the net worth is negative, and the local government is therefore relatively insolvent.

Statement of Financial Performance (Revenues and Expenditures)

Expenditures by Nature, Object, and Line Item

This set of statements provides a summarized comparison of how much the local government produced in revenues to the expenditures in the same period. The statement of financial performance is therefore an indication of how the financial condition of the district government has improved or deteriorated since the last accounting period.

Government of _____			
Statement of Financial Performance / Revenues and Expenditures			
By Nature, Object, Economic Classification, Item			
<i>(Modified Accrual Basis)</i>			
	March	February	January
Revenue			
Taxation			
Property Taxes	53,890	53,351	51,750
Other Taxes	28,804	28,516	27,661
Charges for Services			
Licenses & Permits	6,750	6,683	6,483
Market Fees		785	
Sports Facility Fees			
Inter-governmental			
Transfers from Prefecture	115,000	113,800	110,386
Transfers from Central Govt.			
Grants from Donor Agencies	51,111	50,822	49,297
Sales of Products			
Gains (Losses) on Sales			
Miscellaneous			
Interest earnings			
Total Revenues	255,555	253,957	245,577
Expenditures			
Compensation (Salaries & Benefits)	157,801	168,957	172,733
Contractors and Consultants	48,554	47,536	49,913
Rent	6,750	6,750	7,088
Office Supplies	2,081	2,122	2,228
Utilities (Electricity, Telephone, Water)	2,800	3,545	3,722
Postage	800	700	735
Insurance	1,125	1,125	1,181
Printing and Reproduction		600	630
Travel and Subsistence	3,690	3,250	3,413
Maintenance	7,875	8,033	8,435
Bank Fees	405	405	425
Equipment	5,490	945	992
Property Purchases			
Cost of Goods Sold			
Transportation & Fuel	5,400	4,875	4,672
Total Expenditures	242,770	248,843	256,167
Surplus (Deficit) of Revenues over Expenditures	<u>12,785</u>	<u>5,114</u>	<u>(10,590)</u>
Accumulated Surplus / Deficit - Prior Period	(113,945)	(119,059)	(108,469)
Accum. Surplus (Deficit), End - Curr. Period	(101,160)	(113,945)	(119,059)
* Current Encumbrances (Commitments)	21,870	15,897	25,786
* Accum. Surplus minus Encumbrances	(123,030)	(129,842)	(144,845)

If the revenues exceed the expenditures in the same period, this produces a surplus that is also reflected in an increase in the accumulated surplus in the Statement of Financial Position. Conversely, if expenditures exceed the revenues, this represents a deficit for the period, which decreases the accumulated surplus at the end of the month.

Two versions of the Statement of Performance will be provided to members of the District Council: the first version reports expenditures by nature (object, economic classification), for example, furniture, fuel, utilities, rent, salaries, and benefits. The second version classifies expenditures by program or sector, e.g., health and gender, socio-cultural, administration. When development funds are made available to the local governments, the reporting will also differentiate between recurrent and development funds.

The Statement of Performance by nature/object, above, reflects that the surplus for the month of March was FRW 12,785. This resulted from the difference between FRW 255,555 in total revenues and FRW 242,770 in total expenditures for the period. The largest source of revenues was the Prefecture, which transferred FRW 115,000 to the local government. Other revenues included FRW 51,111 received from donor agencies. Own-source revenues, however, totaled only 35 percent of total revenues; this consisted of FRW 82,694 (FRW 53,890 plus FRW 28,804) in taxes and FRW 6,750 in service fees. This figure also is equivalent 37 percent of expenditures for the month, highlighting the level of dependence that the government has on external sources of funding, such as higher levels of government and donors.

The second version of Statement of Performance presents monthly expenditures by program or government function. These six program classifications ("Administration and Political Affairs," "Services and Economic Infrastructure," etc.) represent the top level of the MTEF budget structure, thereby facilitating monitoring of the execution of the budget.

Expenditures by Program (Sector)

Government of _____				
Statement of Financial Performance / Revenues and Expenditures				
Expenditures By Program (Sector)				
<i>(Modified Accrual Basis)</i>				
	March	February	January	
Revenue				
<i>Taxation</i>				
Property Taxes	53 890	53 351	51 750	
Other Taxes	28 804	28 516	27 661	
<i>Charges for Services</i>				
Licenses & Permits	6 750	6 683	6 483	
Market Fees		785		
Sports Facility Fees				
<i>Inter-governmental</i>				
Transfers from Prefecture	115 000	113 800	110 386	
Transfers from Central Govt.				
Grants from Donor Agencies	51 111	50 822	49 297	
Sales of Products				
Miscellaneous				
Interest earnings				
Gains or Losses on Sales				
Total Revenues	255 555	253 957	245 577	
Expenditures				
Administration and Political Affairs	48 554	49 769	51 233	
Services and Economic Infrastructure	12 139	12 442	12 808	
Agriculture and Environment	7 283	7 465	7 685	
Health, Gender and Social Affairs	50 982	52 257	53 795	
Socio-Cultural Development	109 247	111 979	115 275	
Planning and Finance	14 566	14 931	15 370	
Totals	242 770	248 843	256 167	
Surplus (Deficit) of Revenues over Expenditures	<u>12 785</u>	<u>5 114</u>	<u>-10 590</u>	
Accumulated Surplus / Deficit - Prior Period	-113 945	-119 059	-108 469	
Accum. Surplus (Deficit), End - Cur. Period	-101 160	-113 945	-119 059	
* Current Encumbrances (Commitments)	21 870	15 897	25 786	
* Accum. Surplus minus Encumbrances	-123 030	-129 842	-144 845	

By Fund Type

Government of _____		
Statement of Financial Performance / Revenues and Expenditures		
Programs vs. Fund Type		
March 2002		
(Modified Accrual Basis)		
	Recurrent	Development
Revenue		
Taxation		
Property Taxes	43 112	10 778
Other Taxes	23 043	5 761
Charges for Services		
Licenses & Permits	5 400	1 350
Market Fees		
Sports Facility Fees		
Intergovernmental		
Transfers from Prefecture	92 000	23 000
Transfers from Central Govt		
Grants from Donor Agencies	15 333	35 778
Sales of Products		
Miscellaneous		
Interest earnings		
Gains or Losses on Sales		
Total Revenues	178 889	76 667
Expenditures		
Administration and Political Affairs	48 554	0
Services and Economic Infrastructure	6 069	6 069
Agriculture and Environment	3 642	3 642
Health, Gender and Social Affairs	30 589	20 393
Socio-Cultural Development	61 906	47 340
Planning and Finance	13 110	1 457
Totals	163 870	78 900
Surplus (Deficit) of Revenues over Expenditures	<u>15 019</u>	<u>-2 234</u>
Accumulated Surplus / Deficit - Prior Period	-90 889	-23 056
Accum. Surplus (Deficit), End - Curr. Period	-75 870	-25 290
* Current Encumbrances (Commitments)	16 403	5 468
* Accum. Surplus minus Encumbrances	-92 273	-30 758

Statement of Changes in Financial Position (Cash Flows)

The Statement of Changes in Financial Position (also referred to as the Statement of Cash Flows) describes how the local government manages its liquidity. The flow of cash is decomposed into three main sections: (1) cash flow that results from normal cash operations; (2) cash flow resulting from investments; and (3) cash flow resulting from financing (borrowing) activities. Cash flow resulting from normal cash operations is derived from the surplus (revenues minus expenditures) of the period plus some adjustments for changes/ variations in accounts payable balances (withholding payments keeps the cash balance higher than it would be if the expenditures were paid). In contrast, cash flow from investing activities results if the local government either makes an investment (during which the cash flow would be negative) or receives income from an investment (during which the cash flow would be positive). Finally, cash flow resulting from financing activities is calculated based on changes in the amounts owed financing entities such as banks.

If the local government's expenditures for the period are higher than the revenues, it must somehow finance this gap. It might choose to simply delay its payments to conserve cash. Or it may borrow money from the bank. If the government owns property that it rents to customers, it could make use of the rent income. Conversely, if the government has accumulated resources in the past, it may choose to invest in a business that generates income for the district. The Statement of Cash Flows is also supported by bank reconciliation and bank statements.

In the example below, cash produced from operating activities in the month of March (FRW 6,539, after adjustments) accounted for all the cash made available to the local government. It is also evident that the local government took advantage of the additional cash available and sought to reduce the balance of its debts to banks (by FRW 1,351), long-term debts (by FRW 3,903), and accounts payable (FRW 4,504). The local government has clearly not earned any revenues from earlier investments (e.g., rents from properties) and its receivables from reliable partners was reduced by FRW 180.

Government of _____ Statement of Changes in Financial Position / Cash Flows		
<i>(Indirect Method)</i> <i>(Modified Accrual Basis)</i>		
	March	February
Cash Flow from Operating Activities		
Surplus (Deficit) of Revenues over Expenditures	12,785	5,114
Adjustments to Surplus (Deficit):		
Add Increase (Decrease) in Accounts Payable	(4,504)	9,199
Add Increase (Decrease) in Unearned	(1,742)	(4,176)
Subtract Increase (Decrease) in Inv. for resale	0	0
Subtract Rent Income Received	0	0
Net Cash Flow from Operating Activities	6,539	10,137
Cash Flow from Investing Activities		
Rent Received from Properties Owned	0	0
Change in Accounts Receivable	(180)	2,537
Net Cash Flow from Investing Activities	(180)	2,537
Cash Flow from Financing Activities		
Increase in (Retirement of) Notes Payable	(1,351)	(3,240)
Increase in Long-Term Debt	(3,903)	(9,360)
Net Cash Flow from Financing Activities	(5,254)	(12,600)
Net Increase (Decrease) in Cash Balance	1,105	74
Cash Balance at Beginning of Period	60,095	60,021
Cash Balance at End of Period	61,200	60,095

Statement of Appropriations, Commitments/Encumbrances, and Expenditures

The Statement of Appropriations, Commitments/Encumbrances, and Expenditures is a monitoring tool that reflects the status of the execution of the budget. It requires that the Accountant not only track the expenditures accrued but also encumbrances (reflected as commitments) so as to provide a clearer idea of expenditures that will likely result from actions taken to date. For each government function in the budget established by the District Council, the appropriations (original and revised, if applicable) are compared to the corresponding expenditures and encumbrances to date. Since the budget is for one year, the statement identifies the portion of the budget that would have transpired by the end of the accounting period reported upon.

- The first column represents the appropriations made by the District Council at the beginning of the year;
- The second column represents appropriations following any revisions;
- The third column represents that portion of the budget which was expected to have been consumed from the beginning of the year through the month that just ended;
- The fourth column represents actual expenditures that were incurred to date;
- The sixth column represents encumbrances outstanding as of the end of the month;
- The seventh column represents the balance in the annual budgets, after deducting for expenditures and encumbrances;
- The last column represents the ratio of actual expenditures and encumbrances (for the year to date) to that which we would have expected to have consumed (the figure in column 3).
- The box on the upper right-hand corner performs a simple comparison of the budget execution (expenditures and encumbrances) to the actual revenues received for the year to date.

In the example below, we determined that the share of the total budget (across programs) was that we would expect to have been consumed by the month just ended was FRW 664,500. Since expenditures across all programs were FRW 747,780 and encumbrances as of the end of the month totaled FRW 24,670, the ratio of the budget execution ($747,780 + 24,670$) to the estimated (24,670) is 116%. This means that the budget execution exceeded the budget by 16 percent for the year to date. The balance of the annual budget (that portion that has not been executed) is FRW 1,885,550.

The box on the upper right-hand corner indicates that the expenditures for the year to date exceed the revenues by 2 percent.

(Modified Accrual Basis)

Revenues to Date	755 089
Commitments & Expenditures to date	772 450
% of Revenues	102%

51

Statement of Actual and Anticipated Revenues

Similarly, there will be a requirement to produce a comparison of revenues to the original estimates. The Statement of Actual and Anticipated Revenues is broken down by source of revenue and compares revenues actually received against the original estimates, both for the accounting period just ended and for the year to date.

<p style="text-align: center;">Government of ----- Statement of Actual vs Anticipated Revenues By Revenue Source (Modified Accrual Basis)</p>							
	Estimated for Month	Actual for Month	Monthly Variance Favorable (Unfavorable)	Estimated Year-to-Date	Actual for Year-to-Date	Year-to-Date Variance Favorable (Unfavorable)	Year-to-Date Actual/Estimated
Revenue							
Taxation							
Property Taxes	67 000	53 890	-13 110	201 000	158 991	-42 009	79%
Other Taxes	38 000	28 804	-9 196	114 000	84 981	-29 019	75%
Charges for Services							
Licenses & Permits	6 600	6 750	150	19 800	19 916	116	101%
Market Fees			0		785	785	
Sports Facility Fees							
Intergovernmental							
Transfers from Prefecture	135 000	115 000	-20 000	405 000	339 186	-65 814	84%
Transfers from Central Govt							
Grants from Donor Agencies	50 000	51 111	1 111	150 000	151 230	1 230	101%
Sales of Products							
Miscellaneous							
Interest earnings							
Gains or Losses on Sales							
Total Revenues	296 600	255 555	-41 045	889 800	755 089	-134 711	85%

In the example below, the local government had a short-fall of FRW 41,045 in relation to its anticipated revenues for the month just ended. Moreover, there is a short-fall of FRW 134,496 in relation to anticipated revenues for the year to date, resulting in a ratio of 85 percent of actual to anticipated revenues for the year to date.

Bank Reconciliation Statements

Bank Reconciliation Statements (one per account) are prepared to validate the cash balances that are expressed in the balance sheet and provide support for all off-setting accounts, such as expenditures. Since cash is central to financial activities, it is important to verify that cash information is accurate. This is performed by comparing cash transactions reflected in the local government's accounting records for each bank account with statements provided by the bank. To perform the Bank Reconciliation Statement, the bank statement and accounting records are both compared to a correct or "true" account balance, derived from the collective information known to both the bank and the accountant. This is necessary because at any given time there may be information about the cash transactions that is not known by the bank (e.g., outstanding checks written and deposits made) or the local government (e.g., bank charges imposed, interest collected on the account, and services fees).

The example below indicates that the bank statement reflected an end-of-month balance of FRW 45, 522, whereas the ledger reflected a balance of FRW 32,848. The bank had not yet seen or accounted for FRW 23,384 in checks that had been written by the local government but have not cleared the bank. Nor has the bank yet given the local government credit for FRW 13,889 in deposits.

Disclosures

<i>Government of -----</i>		
<i>Bank Reconciliation Statement, at 31 March 2002</i>		
	<i>FRW</i>	<i>FRW</i>
<i>Balance per bank statement (end of period)</i>		45,522
<i>Add: Deposits in transit</i>		
<i>Cheque No 25224</i>	1,500	
<i>Cheque No 3829</i>	12,389	
		<u>13,889</u>
<i>Deduct: Outstanding cheques / endorsements</i>		
<i>Cheque No 1225</i>	8,065	
<i>Cheque No 1228</i>	5,971	
<i>Cheque No 1233</i>	3,348	
<i>Cheque No 1235</i>	<u>6,000</u>	<u>23,384</u>
<i>Add/Subtract Bank Errors</i>		
<i>Incorrect cheque charged to acct. by bank</i>	<u>675</u>	<u>675</u>
<i>Correct Cash Balance</i>		<u>36,702</u>
 <i>Balance per Books</i>		 <u>32,848</u>
<i>Add Bank Credits</i>		
<i>Interest collected by bank</i>	4,521	
		<u>4,521</u>
<i>Subtract Bank Charges</i>		
<i>Service charges reflected on bank statement</i>	450	
<i>NSF cheque returned</i>	<u>675</u>	
		<u>1,125</u>
<i>Add/Subtract Errors in Ledgers/Books:</i>		
<i>Error in recording cheque 1239</i>	458	
		<u>458</u>
<i>Correct Cash Balance</i>		<u>36,702</u>

Disclosures and supplementary reporting includes information additional to the financial statements that provide a clearer picture of the economic condition of the local government. This information would include information on such items as encumbrances/ commitments and fixed assets, which do not appear on the financial statements.



RWANDA
Financial Management Manual for Local Governments



GOVERNMENT OF _____
Liabilities Register

At Quarter Ending _____

Support for Account - Liab: _____

Debt Description & Comments	Date Incurred	Creditor	Original & Current Values			Days Outstanding	Days x Curr. Balance	Date Settled
			Original Value	Change	Current Balance			

GOVERNMENT OF _____
Register of Encumbrances (Commitments)
At Quarter Ending _____

Support for Account - Memo: Commitments

Encumbrance Description & Comments	Encumbrance Date (if applic.)	Econ. Classification/ Object / Nature	Program / Sector	Prospective Creditor (if applic.)	Estimated Value	Date Realized or Cleared

GOVERNMENT OF _____
Fixed Assets Register
At Quarter Ending _____

Page: _____

Support for Account - Memo: Fixed Assets: _____ : _____ : _____

Item #	Item Description & Comments	Date Acquired	Vendor / Model	Serial #	Custodian Dept. & Employee	Original & Current Values		Date Sold / Retired
						Original Value	Current Value	

Monthly Financial Management Indicators

The monthly financial management indicators are meant to summarize key aspects of financial management performance, such as solvency, liquidity, and comparisons of revenues and expenditures against the budget. They are designed in such a way (generally using ratios, as opposed to absolute values, in FRW) that they can be compared and contrasted over time and across local governments.

The first indicator is a ratio that effects a comparison of revenues to expenditures. If the value is less than 100 percent, this means that expenditures for the period exceeded the corresponding revenues. In the example below, the data reflects steady improvement and indicates that surpluses began manifesting themselves in February.

The second indicator focuses on solvency and is a ratio of assets to liabilities (and encumbrances, which represent potential liabilities). The higher the percentage, the more solvent the local government. Values lower than 100 percent mean that liabilities and encumbrances exceed the value of assets; if outstanding encumbrances are not significant, it also means that the accumulated surplus (net worth) of the government is negative. Thus, in the example below, liabilities and encumbrances are almost three times the value of assets, although the ratio has been improving over the past half-year.

The third indicator focuses on the execution of expenditures and encumbrances against the budget. The time horizon is the year to date, i.e., from January through the month that just ended and is reported upon. If the value is less than 100 percent, then this represents a budget overrun for the year to date. If the value is much higher than 100 percent, then this could be because anticipated receipts (e.g., transfers) did not materialize and the local government was forced to severely restrict its expenditures; this could mean that the budget was not sufficiently realistic and should be adjusted for the balance of the year. Therefore, the figures in the example below reflect that there is an expenditure 16 percent overrun (derived from the inverse of 86 percent, or $1/0.86$, minus 1.00) on the budget.

The fourth indicator focuses on revenues earned against the budget. The time horizon is the month that just ended and is reported on. The higher the number, the better the performance. In the example below, actual revenue collections in March were 14 percent below budget, although the figure has been steadily improving.

The fifth indicator is the average number of days that outstanding transactions are outstanding. All pending payments are assessed in terms of how long they have been outstanding and the total number of days is divided by the total number of outstanding transactions. The timeliness of payments in the example below improved by 19 percent, i.e., $(55 - 68)/68$, over the six month period.

The sixth indicator represents how timely the financial reporting is performed. It is the number of working days that have passed beyond the sixth working day by the time the reports are distributed to the District Council, Prefecture, and central government.

Government of _____
Monthly FM Indicators, 31 March 2002

(Six - Month "Rolling" Report)

Indicator	Mar 2002	Feb. 2002	Jan 2002	Dec. 2001	Nov. 2001	Oct. 2001
1. Revenues/Expenditures (a percentage higher than 100% means that revenues exceed expenditures)	105%	102%	96%	95%	94%	93%
2. Assets / (Liabilities + Encumbrances) (a percentage lower than 100% means that accumulated surplus is negative)	36.1%	33.5%	33.3%	32.6%	32.0%	31.3%
3. Anticipated Budget (Jan to Date) / Expenditures + Encumbrances (Jan to Date) (a percentage lower than 100% means that expenditures & encumbrances exceed the allocated budget for the year-to-date, i.e., January to present)	86.0%	85.2%	84.3%	83.5%	82.6%	81.8%
4. Collected Receipts / Anticipated Receipts (a percentage higher than 100% means that actual receipts collected exceeded budgeted revenues)	86.2%	82.1%	84.5%	85.3%	83.6%	82.8%
5. Average number of calendar days bills are outstanding (represents the arithmetic average of calendar days outstanding for all pending liabilities)	55	62	64	62	63	68
6. # Days after 6th working day that FM reports were released (the number of working days that had passed after the 6th working day of the previous month when the corresponding report was released to District Council, Prefecture and central government)	0	0	2	3	4	0

Annex 2. Chart of Accounts

Chart of Accounts				
Reporting Category /	Account: Sub-account....	Comments	Date Opened	Date Closed
Financial Propriety Accounts				
Accounts by Nature/Object				
Real Accounts				
Assets:				
	Cash:			
	Bank:			
		Acct 1 - xxxxx Bank		
		Acct 2 - xxxxx Bank		
		Acct 3 - xxxxx Bank		
	Petty:			
		Imprest		
		Canteen		
	Cheques on Hand			
	Accounts Receivable (A/R):			
	Receivables from Vendors			
	Inventories for Resale:			
	Malaria Pills			
	Mosquito Nets			
	Condoms			
	Loans Receivable:			
	Loans to Suppliers			
	Loans to Staff (Advances)			
Liabilities				
	Compensation Payable			
	Wages Payable			
	Benefits Payable			
	Accounts Payable:			
	Payables to Vendors			
	Notes Payable			
	Unearned Revenue (for future periods)			
	Long-Term Debt:			
	Credits from other Govt. Agencies			
Accumulated Surplus or Deficit (Net Worth)				

Chart of Accounts

Reporting Category /	Account: Sub-account....	Comments	Date Opened	Date Closed
Nominal Accounts				
	Revenues			
	Taxation:			
	Property Taxes			
	Other Taxes			
	Sales of Properties			
	Charges for Services:			
	Licenses & Permits			
	Fees for Markets and Shops			
	Sports Facility Fees			
	Inter-Governmental:			
	Transfers from Prefecture			
	Transfers from Central Government			
	Grants from Donor Agencies (examples):			
	U.S.AID			
	DFID			
	World Bank (IDA)			
	African Development Bank			
	Sales of Products			
	Gains (Losses) from Sale of Assets			
	Miscellaneous:			
	Interest Earnings			
	Expenditures			
	Compensation:			
	Salaries			
		Regular Salary		
		Overtime		
	Benefits			
		Housing Allowances		
		Transportation Allowances		
		Health Insurance for Staff		
		Direct Health Care Costs		
		Death-related benefits		
		Honoraria to district council members		
	Contractors and Consultants			
	Rent			
	Office Supplies			
	Postage Stamps			
	Stationery			
	Writing Instruments			
	Files			
	Utilities and Public Services Received:			
	Electricity			
	Telephone:			
		Main Line		
		Prepaid		
		Used on Credit		
		Fax Line		
		Mobile Telephones		



Water
Wood for Fuel
Sanitation
Subvention Funds Provided
Social Assistance Payments
Purchase of Fixed Assets
 Building and structures
 Real Estate (Land)
 Furniture
 Equipment
 Automobile
 Computers
Representation fees
Reception and festivities
Radio announcements and publicity
Postage
Insurance
 Property Insurance
Printing and Reproduction
Travel and Subsistence
Maintenance
Bank Fees
 Interest on Notes Payable
 Bank Account Maintenance/Usage
Sports Material
Security
Training
Cost of Goods Sold
Transportation & Fuel
Extraordinary Items:
 Floods
 Emergency Relief Operations
Revenue Collection Fees
Food
Miscellaneous

Chart of Accounts

Reporting Category /	Account: Sub-account....	Comments	Date Opened	Date Closed
Accounts by Program/Fund				
	Unallocated Income	Contra-account for Fund Type		
	Fund Type			
	Recurrent			
	Development			
	Program (Prg):			
	Administration & Political Affairs			
	Services & Economic Infrastructure			
	Agriculture and Environment			
	Health, Gender and Social Affairs			
	Socio-Cultural Development			
	Planning and Finance			
	Prior-Period Expenditures	Closing account		
Memorandum Accounts				
	Estimated Revenues	Contra to appropriations		
	Appropriations:			
	Administration & Political Affairs			
	Services & Economic Infrastructure			
	Agriculture and Environment			
	Health, Gender and Social Affairs			
	Socio-Cultural Development			
	Planning and Finance			
	Commitments:			
	Administration & Political Affairs			
	Services & Economic Infrastructure			
	Agriculture and Environment			
	Health, Gender and Social Affairs			
	Socio-Cultural Development			
	Planning and Finance			
	Reserve for Commitment	Contra account for commitments		
	Fixed Assets:	Maintains register of fixed assets		
	Building and structures			
	Real Estate (Land)			
	Furniture			
	Equipment			
	Automobile			
	Computers			
	Taxes Receivable			
	Stores			